

Annual Performance Report 2019/20

Part 3 - Performance Summary



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1. Introduction

Throughout the year, we monitor our performance against a wide range of indicators, including the following:

- the Measures of Success contained within Ofwat's 2014 Final Determination (FD);
- a small number of Measures of Success which were an integral part of our PR14 Business Plan but were nevertheless excluded from the FD. As these were part of the package that received overwhelming support from our customers, we have continued to monitor performance and have included them in this report;
- key measures of performance used by Natural Resources Wales (NRW) to judge environmental compliance;
- key measures of performance used by the Drinking Water Inspectorate (DWI) to judge drinking water quality compliance;
- measures contained within our "Performance Scorecard". This is an important tool which helps monitor performance and, whilst the scorecard does not include every single metric measured, achieving Scorecard targets set by the Board demonstrates that we are on track to deliver a performance overall that would represent one of the best in the industry; and
- financial measures such as gearing, credit ratings, post-tax return on capital and interest cover.

In this part of the Annual Performance Report we set out how we have performed against the non-financial measures. Performance against the key financial measures is contained within the Annual Report and Accounts and the regulatory accounts (Parts 1 and 2 of this Annual Performance Report). In Part 4 of this Annual Performance Report we include additional regulatory information.

In terms of presentation, we have grouped these together by reference to the six Customer-led Success Initiatives, (see section 2.1). These are:

- clean safe water for all;
- safeguard the environment for future generations;
- a personal service that's right for you;
- put things right if they go wrong;
- fair bills for everyone; and
- a more sustainable and prosperous future for our communities.

A summary of overall performance on key measures is contained within section 2.2. In section 2.3 we set out the FD Measures of Success (colour coded by reference to the outcomes contained within the FD) and also showing to which part of the business they relate. In section 2.4 we set out the outcome delivery incentive reward or penalty payments for each performance commitment across each year between 2015/16 to 2019/20.

Performance against each individual metric is set out in section 2.5. Where we can, we have included details of historical performance and how our performance compares with other companies in the sector. Where we are behind our FD targets, we have provided a brief commentary explaining why this is the case. We have also included information on the new customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) mechanisms introduced as part of the 2019 price review (PR19) which have been running in shadow form since 1 May 2019 and until 31 March 2020. In addition, our performance is recorded on a website called Discover Water (www.discoverwater.co.uk). This is an industry dashboard, providing customers with the latest information about the water utility sector in England & Wales and how we are performing against other sector companies.

Some of the individual Measures of Success have associated rewards or penalties for over or under performance. Where this is the case, we provide an update and show on the appropriate graph actual performance against target and, where this places us in terms of earning a reward or incurring a penalty.

Table 3A and 3B, in section 3, contain information required by Ofwat on how we are performing against the Measures of Success targets contained within the FD. Table 3D provides a breakdown of the qualitative and quantitative elements of Service Incentive Mechanism (SIM). It should be noted that Table 3C (Abstraction Incentive Mechanism-AIM) does not apply to companies operating wholly or mainly in Wales.

In section 4, we have set out the assurance processes followed in preparing this document and, in particular, ensuring that the information we have provided is accurate and complete.

A statement provided by our Reporter, who audited aspects of this Annual Performance Report, is included in Appendix 1.



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2.1 Performance Measures- by reference to Customer Led Success (CLS) Promises

Customer Led Success	Final Determination Measures of Success	Key Performance Indicators
Clean safe water for all	<p>A1 Mean Zonal Compliance</p> <p>A2 Customer Acceptability</p> <p>A3 Reliability of Supply</p>	<p>A1a % Sample Compliance</p> <p>A2a Customer Acceptability (excl private contacts)</p> <p>Process Control Index</p> <p>Disinfection Index</p> <p>Reservoir Integrity Index</p>
<p>A more sustainable and prosperous future for our communities</p> <p>Safeguard the Environment for future generations</p>	<p>B1 Water Abstractions</p> <p>C1 Responding to Climate Change</p> <p>C2 Carbon Footprint</p> <p>F1 Serviceability</p> <p>F2 Leakage</p> <p>F3 Asset Resilience</p> <p>B2 Treating wastewater</p> <p>B3 Pollution incidents</p>	<p>Serviceability-Water Infrastructure. Mains Bursts - Low Pressure - Iron non compliance - Interruptions to supply > 12hrs - Distribution Index - Customer contacts (discolouration)</p> <p>Serviceability-Water Non-Infrastructure. WTW Bacti non compliance - Enforcements - Service Reservoir Bacti non compliance - Turbidity non compliance - Unplanned maintenance</p> <p>Serviceability-Wastewater Infrastructure. Sewer Collapses - Sewer Blockages - Equipment Failures - Pollution incidents - Properties flooded (OC) - Properties flooded (HO)</p> <p>Serviceability-Wastewater Non-Infrastructure Unplanned Maintenance - % PE in breach of consent - %WWTWs in breach of numeric consents</p>
Personal service that's right for you	<p>D3 Properties flooded</p> <p>D4 Business Customer Satisfaction</p> <p>D5 Earning the trust of customers</p>	<p>Net Promoter Score</p> <p>UKCSI score</p> <p>G2 Competency of Staff</p>
Put things right if they go wrong	<p>D1 SIM combined</p> <p>D2 At risk customer service</p>	<p>Unwanted calls</p> <p>G1 H & S RIDDOR Incidents</p> <p>Complaints</p>
Fair Bills for everyone	<p>E1 Affordable Bills</p> <p>E2 Help for Disadvantaged Customers</p>	<p>Bad Debt</p> <p>H2 Financing Efficiency</p>
Outcomes		
Safe Drinking Water	Climate Control	Best In Class Customer Service
Protecting the Environment	Affordable bills	Asset Stewardship



2.2 Summary of Overall Performance

2019/20 Annual Performance <small>((c) Calendar year measure - all others are financial year measures)</small>	2019/20 Outturn	2018/19 Outturn	2019/20 Vs Previous Year	FD Target <small>(Final Determination)</small>	2019/20 Vs FD Target <small>(Final Determination)</small>	RAG Vs Sector	Page
A1(a): % Sample Compliance (c)	99.98%	99.98%	✓	n/a	n/a		10
A1(b): Mean Zonal Compliance (c)	99.94%	99.97%	x	100%	x		11
A2(a): Customer Acceptability (c) <small>(excluding private contacts)</small>	2.38	2.98	✓	n/a	n/a	n/a	12
A2(b): Customer Acceptability (c)	2.80 ^{*1}	3.28 ^{*1}	✓	1.23	x		13
A3: Reliability of Supply	14.7 mins	16.0 mins	✓	12 mins	x		14
B1: Abstraction for water	100%	100%	✓	100%	✓		15
B2: Treating used water (c)	98.94%	99.64%	x	100%	x		16
B3: Pollution Incidents (c)	120	118	x	131	✓		17
C1: Responding to Climate Change	21,485	15,967	✓	25,000	x	n/a	18
C2: Carbon Footprint-Water	45.25 GWh	32.59 GWh	✓	17.78 GWh	✓	n/a	19
C2: Carbon Footprint-Wastewater	76.73 GWh	52.43 GWh	✓	82.22 GWh	x	n/a	19
D1: SIM	85 ^{*2}	87	x	Top Quartile	^{*3}	^{*4}	20
D2: At Risk - Customer Service	613	641	✓	425	x	n/a	21
D3: Properties flooded in the year	216	221	✓	269	✓		22
D4: Business Customer Satisfaction	88%	88%	✓	90%	x	n/a	23
D5: Earning the Trust of Customers	87%	85%	✓	75%	✓	n/a	24
E1: Affordable Bills	-4%	-2%	✓	-1%	✓	n/a	25

*1 This figure includes customer contacts relating to issues arising from customers' own private plumbing. If contacts resulting from issues with the customer's own internal pipes are excluded, the 2019 number is 2.38 contacts per 1,000 customers (2018: 2.98).

*2 The score for 2019/20 is based on a SIM proxy calculation as SIM did not operate, as Ofwat were operating C-MeX as a shadow year.

*3 Performance against FD target (i.e. upper quartile) will not be known until all companies publish their Annual Performance Reports in July 2020.

*4 In terms of the RAG comparison against the sector, the green assessment is based on the qualitative element of SIM only.

Red/Amber/Green (RAG) <small>* Industry comparison against the other water and sewerage companies</small>		Upper quartile Performance		Average Performance		Lower quartile Performance
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2.2 Summary of Overall Performance

2019/20 Annual Performance <small>((c) Calendar year measure - all others are financial year measures)</small>	2019/20 Outturn	2018/19 Outturn	2019/20 Vs Previous Year	FD Target <small>(Final Determination)</small>	2019/20 Vs FD Target <small>(Final Determination)</small>	RAG Vs Sector	Page
E2: Help for Disadvantaged Customers	129,148 * ₅	120,783	✓	100,000	✓	n/a	26
F1: Asset Serviceability	Stable x 4	Stable x 4	✓	Stable x 4	✓	n/a	27
F2: Leakage MI/d	167.95	169.54	✓	169	✓		32
F3: Asset Resilience - Water	90.2% * ₆	90.2%	✓	87%	✓	n/a	33
F3: Asset Resilience - Wastewater	81.9% * ₆	79.0%	✓	78%	✓	n/a	34
G1: Health & Safety	8	8	✓	n/a	n/a	n/a	35
G2: Competency for role	83%	88%	x	n/a	n/a	n/a	36
H2: Financing Efficiency	A-/A3/A	A Neg/ A2 Neg/ A	x	n/a	n/a		37
Net Promoter Score	62.9	61.2	✓	n/a	n/a	n/a	38
Written Complaints	2,693	3,491	✓	n/a	n/a		39
Bad Debt	£25.2m * ₇	£21.0m	x	n/a	n/a	n/a	40
UKCSI	79.8	77.9	✓	n/a	n/a	n/a	41
Unwanted Calls	n/a * ₈	128,603	n/a	n/a	n/a	n/a	42
Process Control Index	100%	99.99%	✓	n/a	n/a		43
Disinfection Index	99.99%	99.99%	✓	n/a	n/a		44
Reservoir Integrity Index	99.98%	99.99%	x	n/a	n/a		45
C-MeX	82.47	n/a	n/a	n/a	n/a		46
D-MeX	84.38	n/a	n/a	n/a	n/a	n/a	47

*₅ Both 2018/19 and 2019/20 outturn figure exclude those customers who benefit from our 'Water Collect' scheme. If 'Water Collect' customers benefitting from a social tariff/means of assistance are included, the 2019/20 number is 133,079

*₆ Both 2018/19 and 2019/20 outturn figures are based on the strategically important assets listed at the time of the 2014 FD. In addition, to reporting against this FD measure, we assess performance against the most up to date list of strategically important assets. On pages 31 and 32 we set out details of performance against both measures.

*₇ We expect collections to be impacted adversely by the COVID-19 pandemic and have factored this into our year-end provision for overall bad debt charge increasing the charge by £4 million to £25 million.

*₈ Unwanted contacts were previously included in the calculation of SIM. Since 1 April 2019, SIM has not operated as Ofwat replaced with a shadow year C-MeX.

Red/Amber/Green (RAG)

* Industry comparison against the other water and sewerage companies



Upper quartile Performance



Average Performance



Lower quartile Performance



2.3 Performance Measures - by reference to Outcomes and PR14 Price controls



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2.4 Performance Commitments - Outcome Delivery Incentives

On 1 April 2015 our Outcome Delivery Incentive Scheme (ODIs) came into effect. The scheme was introduced to provide a comprehensive suite of measures, both financial and non-financial, designed to stiffen the pressure on us to meet the expectations of our customers first time, every time. The scheme was also designed to ensure that our customers are recompensed when our service falls short of their expectations.

We offer a comprehensive set of compensatory payments to customers in relation to a wide range of types of performance failures. This incorporates the statutory “Guaranteed Standards Scheme” payments we are obliged to make under the provisions of the 1991 Water Industry Act. Full details of the payments we make can be found in our publication [For You Not For Profit 2019-20](#).

The ODIs has both reputational and financial incentives and we have reported on all of the measures shown in the table overleaf in our Annual Performance Report since 1 April 2015.

We calculate whether a penalty or reward is to be applied to any of our financial measures on an annual basis. The rewards or penalties calculated for the five year period from 1 April 2015 will be applied as a price control adjustment by Ofwat at the end of the current reporting period on 31 March 2020.

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2.4 Performance Commitments - Outcome Delivery Incentives

2019/20 Annual Performance

Performance commitment	Wholesale Water	Wholesale Wastewater	Retail	Non Household	ODI Incentive Penalty or Reward					Total ODI Incentive (2015/16 to 2019/20) (£m)
					2015/16 (£m)	2016/17 (£m)	2017/18 (£m)	2018/19 (£m)	2019/20 (£m)	
A1: Mean Zonal Compliance	✓				0.0000	0.0000	0.0000	0.0000	-2.5000	-2.5000
A2: Customer Acceptability	✓				0.0000	0.0000	-1.8600	-1.8600	-1.8600	-5.5800
A3: Reliability of Supply	✓				0.0000	0.0000	-3.9000	-0.7800	-0.5265	-5.2065
B1: Water Abstractions	✓									Reputational
B2: Treating Wastewater		✓								Reputational
B3: Pollutions incidents		✓			0.9870	0.9400	0.8930	0.6110	0.5170	3.9480
C1: Responding to Climate Change		✓			0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
C2: Carbon Footprint	✓	✓								Reputational
D1: SIM	✓	✓	✓	✓						End of AMP ODI
D2: At risk customer service	✓	✓								Reputational
D3: Properties flooded in the year		✓			0.0000	1.8600	1.4880	1.6740	1.1780	6.2000
D4: Business Customer Satisfaction				✓	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
D5: Earning the trust of customers	✓	✓	✓	✓						Reputational
E1: Affordable Bills	✓	✓	✓	✓						Reputational
E2: Help for disadvantaged customers			✓							Reputational
F1: Asset Serviceability	✓	✓			0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
F2: Leakage	✓				0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
F3: Asset Resilience	✓	✓			0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Total					0.9870	2.8000	-3.3790	-0.3550	-3.1915	-3.1385

Outcomes

Safe Drinking Water

Climate Control

Best In Class Customer Service

Protecting the Environment

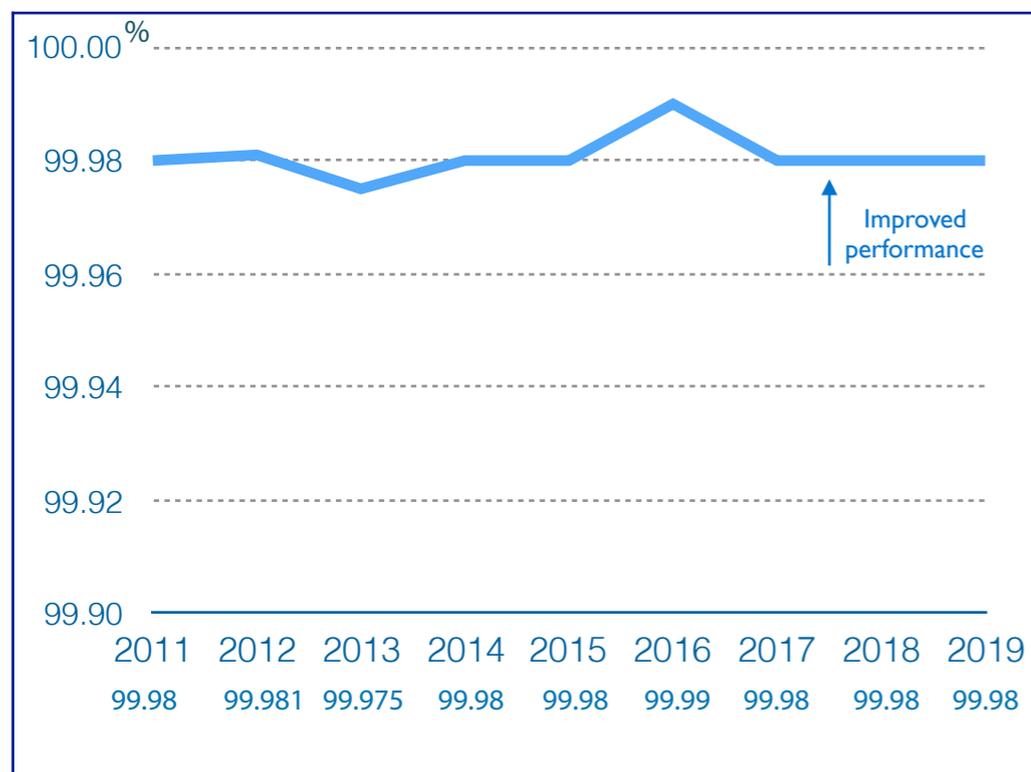
Affordable bills

Asset Stewardship



2.5 - Safety of Drinking Water - % Sample Compliance

Key Performance Indicator



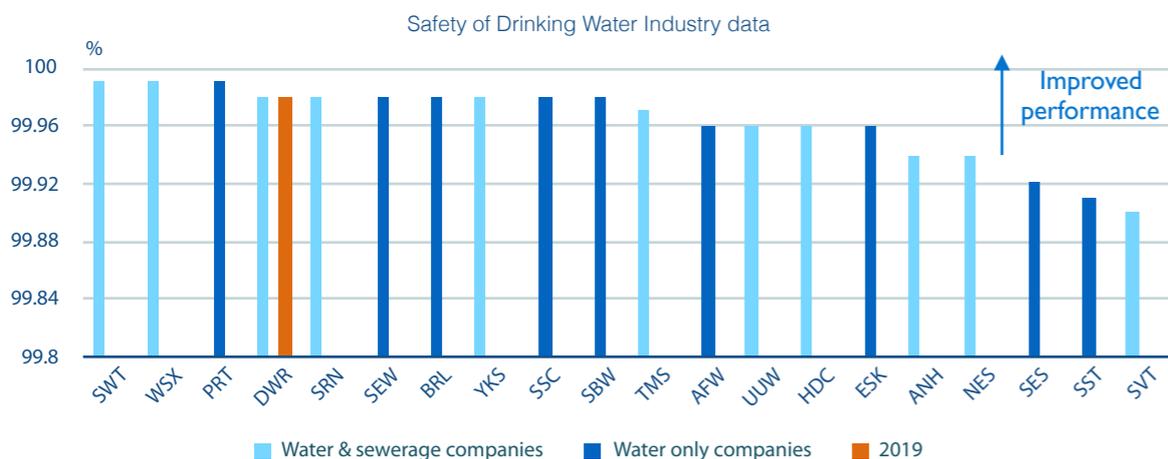
Summary Performance: The overall compliance of 99.98%, is a percentage of the total number of failures taken against the total number of tests.

In 2019, there were 60 failures out of 243,127 total tests taken, compared to 45 failures in 2018 (247,528 tests).

Customer Compensation: Our performance on this measure has not led us to making any direct payments of compensation to customers in the financial year 2019/20.

Definition: This measure (included within our scorecard) is the percentage of compliant samples taken at Water Treatments Works, Service Reservoirs and customer taps. This measure takes into account all the tests analysed as a percentage of those that have failed against European and National Standards and additional monitoring requirements as reported in DWI published data. This measure is much less volatile than the Mean Zonal Compliance (MZC) measure.

This measure is reported on a calendar year basis.



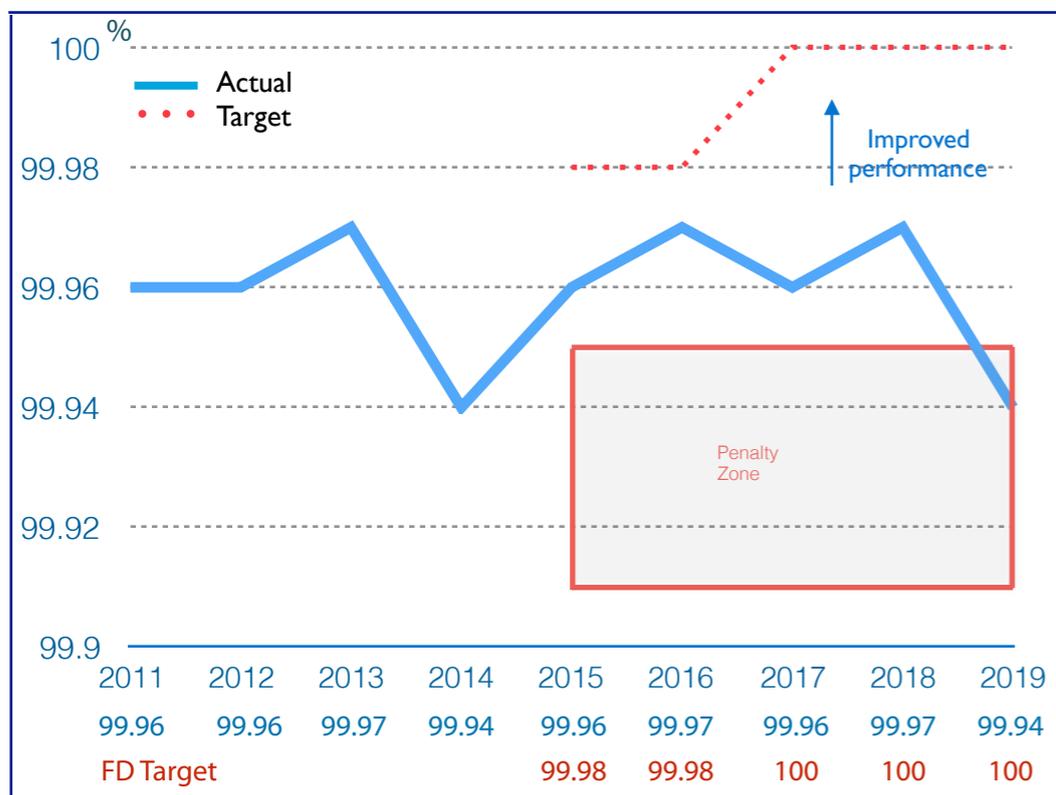
Source: Drinking Water Inspectorate - Annual Report 2018



2.5 - MOS A1b - Safety of Drinking Water Mean Zonal Compliance (%) (MZC)

Applicable to Price Control: **WHOLESALE WATER**

**OFWAT MOS
Penalty Only**



Summary Performance: In 2019 our performance level was 99.94%. There were 41 failures out of 53,703 tests taken compared to 33 failures in 2018.

The highest number of failures was on the 'Iron' parameter. (15 out of 41 failures).

Achieving 100% compliance target is challenging as a failure in zones serving very small populations will distort the overall picture. We nevertheless, continue to work towards achieving the FD Target through planned investment and improved operating procedures.

This year we have incurred a penalty of £2.50m.

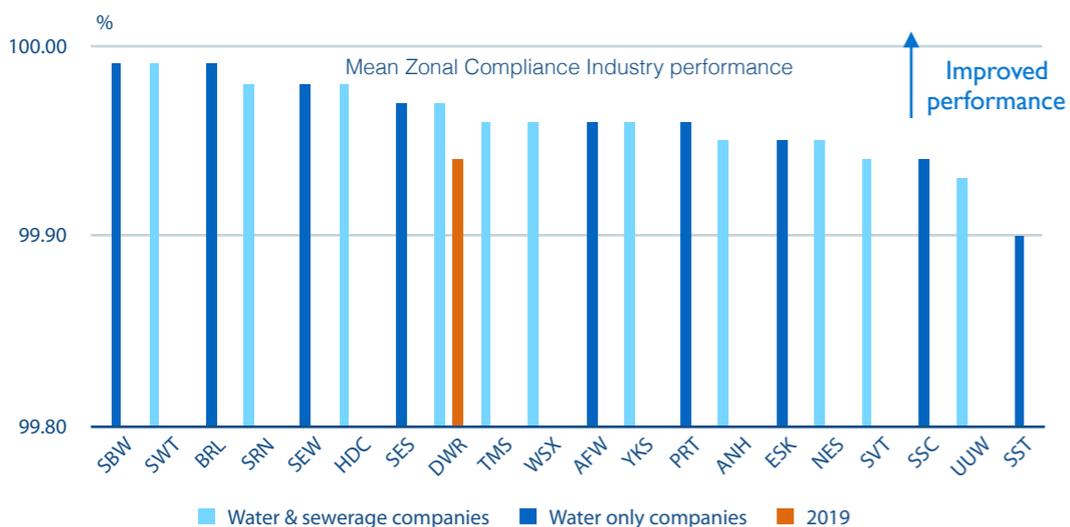
Customer Compensation: Our performance on this measure has not led us to make any direct payments of compensation to customers in the financial year 2019/20.

Definition: MZC is published annually in the Chief Inspector's Report and is the primary measure used by DWI to compare overall water quality performance between water companies and regions of England and Wales. It comprises the average of the MZC % figures for 39 key chemical and biological parameters that are tested to establish the quality of water as received by customers.

There are regulatory standards for sampling frequency set for each of the 39 parameters depending on the size of the population being served from the water quality zone. We have 82 water quality zones with some serving very small populations.

This measure is reported on a calendar year basis.

Looking Forward: A new measure has been implemented for the next Price Review (PR19), starting in 2020. This PR19 performance commitment is Wt1 Water quality compliance. The definition for this performance commitment is set by the Drinking Water Inspectorate (DWI) and is published as DWI Compliance Risk Index.

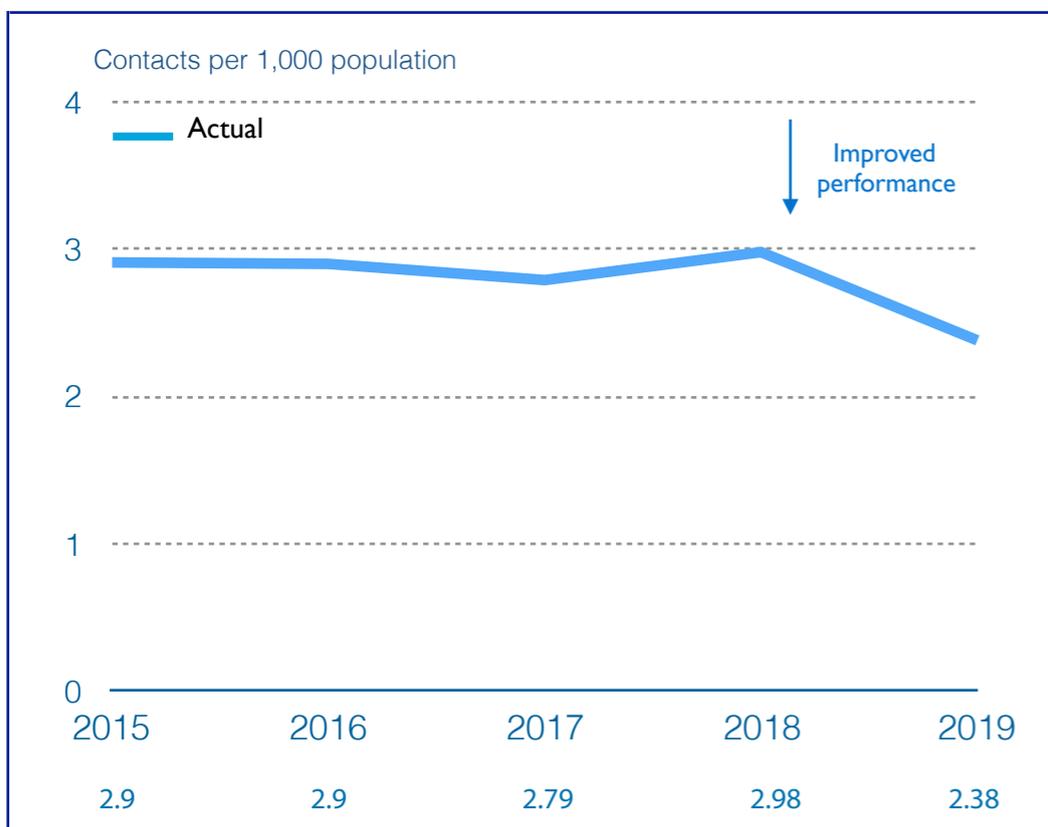




Key Performance Indicator

2.5 – MOS A2(a). Customer Acceptability

(excluding contacts arising from issues with the customers own internal pipes)



Summary Performance: Internally, we monitor and report those customer contacts that arise from problems associated with our assets, i.e. not including contacts which are linked to customers' own plumbing.

There were around 1,328 customer contacts that arose from issues with private plumbing in 2019. Adopting this approach and excluding the private plumbing contacts, our performance is 2.38 contacts per 1,000 population, compared to 2.98 per 1,000 population in 2018.

Customer Compensation Payments on Customer Acceptability are reported on page 13.

Definition: When customers are dissatisfied with the quality of their drinking water they may contact their water company. A record of the numbers of contacts received by water companies is sent to the DWI each year and published in the Chief Inspector's report.

This measure is the number of contacts received from customers in the calendar year regarding the appearance, taste or odour of drinking water expressed as a rate per 1,000 population served, but excluding contacts from issues with the customer's own internal pipes.

Since 2015, any contacts about illness have not been included within this measure.

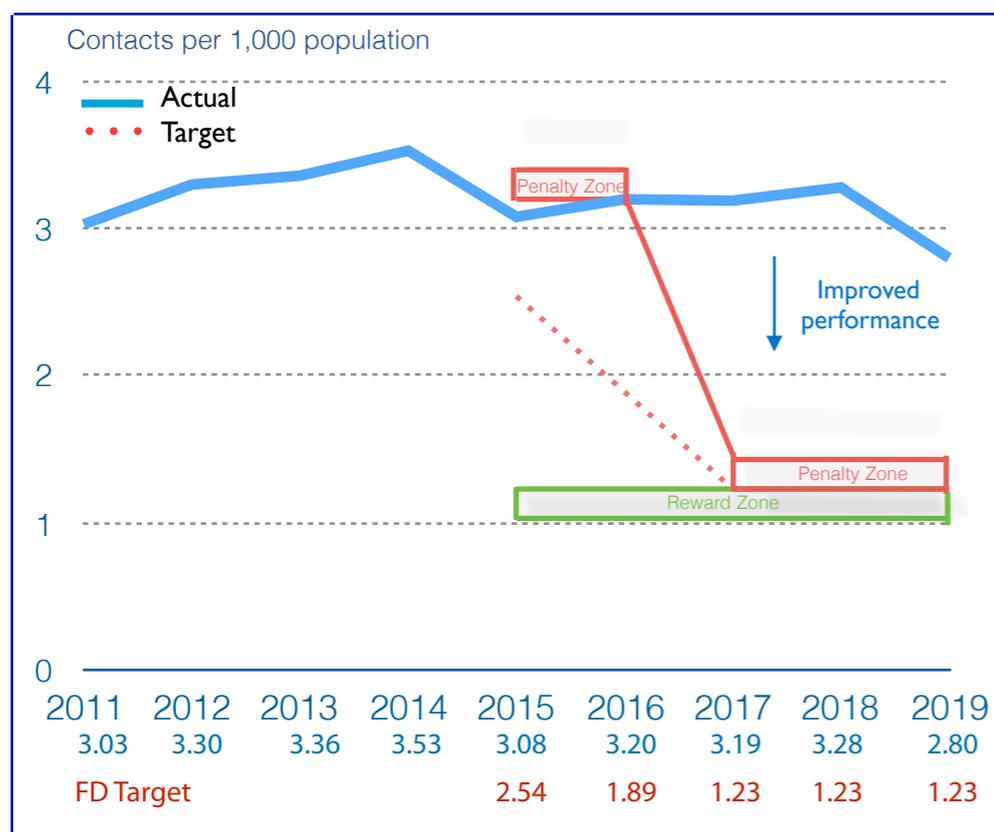
This measure is reported on a calendar year basis.



2.5 - MOS A2(b). Customer Acceptability

Applicable to Price Control: WHOLESALE WATER

OFWAT MOS Reward & Penalty



Summary Performance:

Our 2019 performance on this measure is 2.80 contacts per 1,000 population. This is an improvement on last year's figure of 3.28 contacts per 1,000 population.

We are reporting all customer contacts (including those where the contacts from customers arose from customers own private plumbing) in line with data submitted to the DWI. We have used the latest available population figures and the 2019 population figure is used as the denominator in calculating this years performance.

Internally, we monitor and report those customer contacts that arise from problems associated with our assets, i.e. not including contacts which are linked to customers' own plumbing. There were around 1,328 customer contacts that arose from issues with private plumbing in 2019. (see page 12)

The targets set for the later years of this AMP 6 period (2015-20) were very challenging. Whilst significant investment was planned, and management attention is focused on this key measure, we were aware it would be a struggle to achieve these targets. This year we have incurred a penalty of £1.86m.

Customer Compensation

Our performance on this measure has led us to making a total of 68 payments to the value of £8,033 by way of direct payments of compensation to customers in the financial year 2019/20.

Definition:

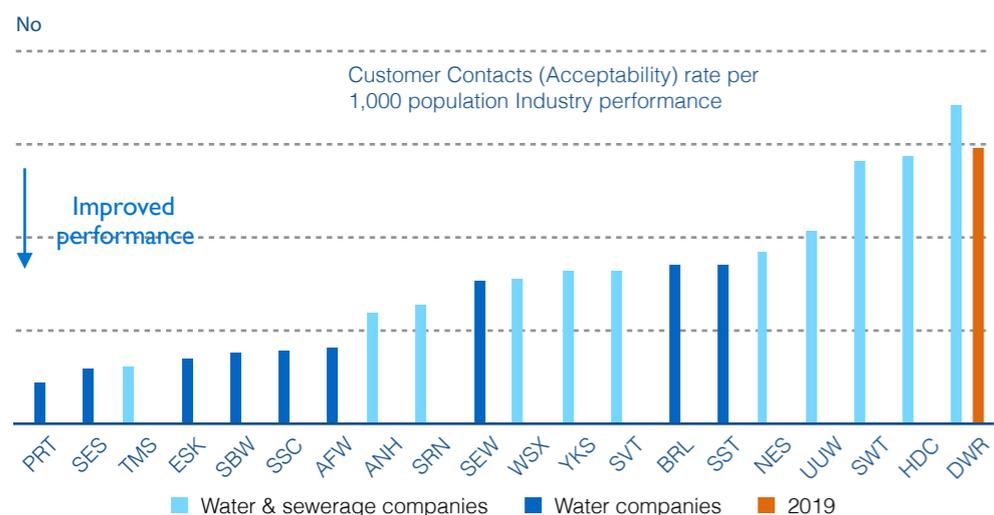
When customers are dissatisfied with the quality of their drinking water they may contact their water company. A record of the numbers of contacts received by water companies is sent to the DWI each year and published in the Chief Inspector's report.

This measure is the number of contacts received from customers in the calendar year regarding the appearance, taste or odour of drinking water expressed as a rate per 1,000 population served. Since 2015, any contacts about illness have not been included within this MOS.

This measure is reported on a calendar year basis.

Looking Forward:

A similar measure will continue for the next Price Review (PR19) starting in 2020. This PR19 performance commitment is Wt3 Acceptability of drinking water.



Source: Drinking Water Inspectorate - Annual Reports (2018 performance - includes Customer contacts relating to illness).



2.5 – MOS A3. Reliability of Supply

OFWAT MOS Reward & Penalty

Applicable to Price Control: WHOLESALE WATER



Summary Performance: In the year our performance, which measures customer minutes lost (CML) is 14.7 minutes, compared to 16.0 minutes in 2018/19.

A number of higher impacting burst mains were experienced during 2019/20. Such as a burst on a 15 inch trunk main in the Hereford area during November, which affected almost 7,300 households. We did undertake tankering activities to mitigate the impact to customers.

This year we have incurred a penalty of £0.53m.

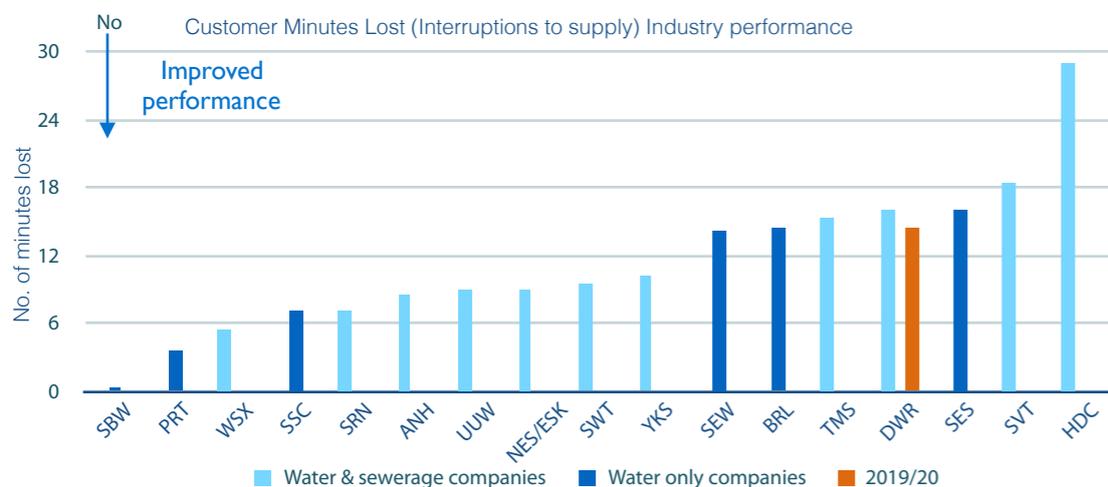
Customer Compensation: Our performance on this measure has led to us making a total of 4,304 payments to the value of £176,082 by way of direct payments of compensation to customers in the financial year 2019/20. Of these, 4,030 payments to the value of £134,915 have been made under the Guaranteed Service Standards (GSS). Recommended changes to the Welsh Government, proposed by Ofwat, which we have voluntarily adopted from 1 April 2019.

Definition: Interruptions to supply cause loss and inconvenience to individual customers and communities. They also cost money to manage and fix.

This measure reports the average minutes of supply interruption per property within our supply area (including both planned and unplanned interruptions).

This measure is reported on a financial year basis.

Looking Forward: A similar measure will continue for the next Price Review (PR19) starting in 2020/21. The PR19 performance commitment is Wt2 Water supply interruptions.

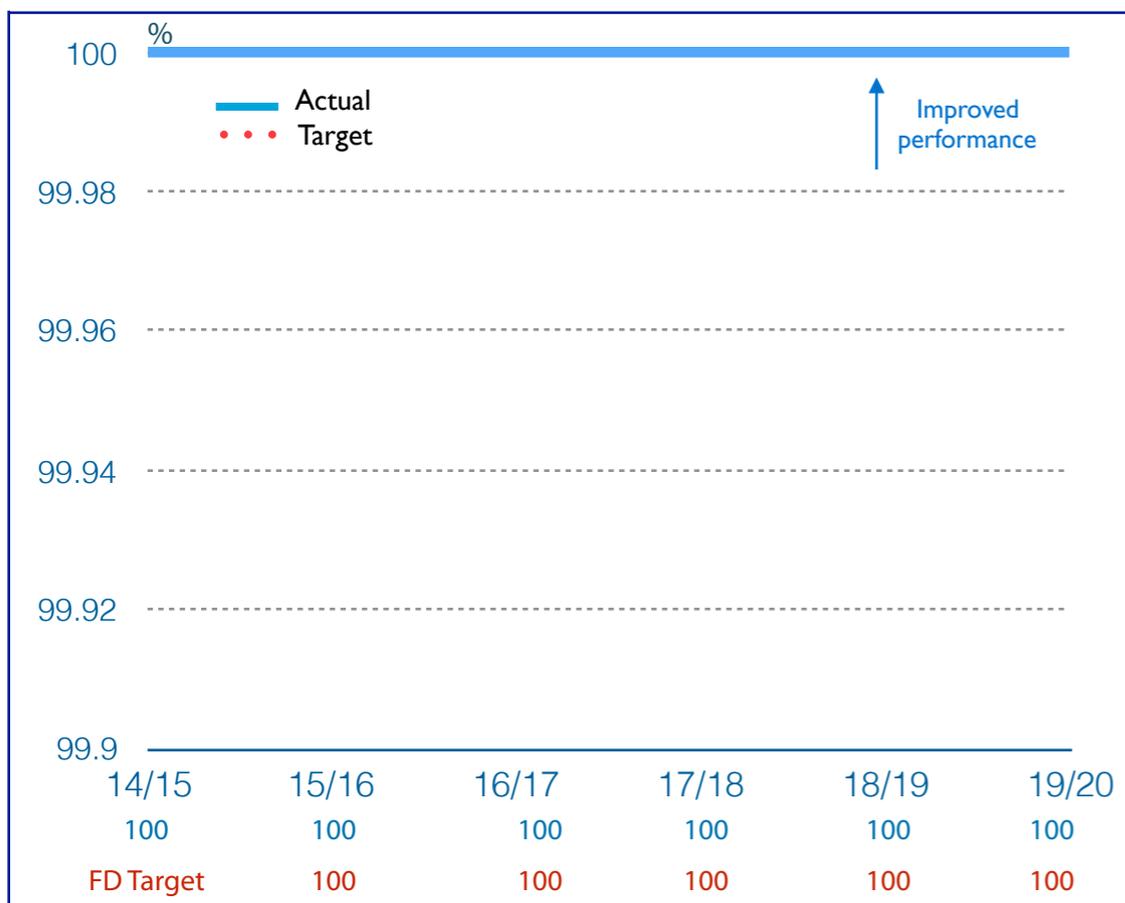


Source: Discover Water - 2018-19 (mins:sec)



2.5 – MOS B1. Water Abstractions

Applicable to Price Control: **WHOLESALE WATER** **OFWAT MOS Reputational**



Summary Performance:

For 2019/20 we are reporting a total percentage compliance of 99.84%. (rounded to 100%).

We have self-reported twelve abstraction licence non-compliances to Natural Resources Wales (NRW). NRW have confirmed five of these as a category 3 incidents and four as category 4 incidents. A category 3 incident is one where a non-compliance could have a minor environmental impact and a category 4 incident one where a non-compliance has no potential environment impact. These are detailed in the table below. We are currently awaiting the classification of the remaining three non-compliances and so have been unable to include these within our performance score for 2019/20.

We are therefore reporting a total percentage compliance score of 99.84%, which is a very minor change from our 2018/19 performance score of 99.98%. By way of comparison, if the three outstanding non-compliances were to be classified as Category 3 incidents by NRW, then this would only marginally reduce our performance score to 99.80%.

This years performance is influenced by the non-compliances at Prioress Mill and Llantrisant. These are a function of the significant capital works that are taking place to construct a new pumping station at Prioress Mill. Construction of the new station will enable us to meet the stringent new abstraction licence conditions set by NRW at this site, to achieve the requirements of the EU Habitats Directive for the River Usk Special Area of Conservation.

The details of the incidents are shown in the table below:

Site	Nature of non-compliance	Site	Nature of non-compliance
Llyn Cefni	16 days under release of compensation water	Llwynon	3 hours under release of compensation water
Cilcain	5 days under release of compensation water	Prioress Mill	10 days no fish screening
Marchlyn	6 days over-abstraction	Prioress Mill	7 days no fish screening
Rosebush	5 days under release of compensation water	Prioress Mill	25 days no fish screening
Rosebush	5 days under release of compensation water	Llantrisant	53 days of non-continuous pumping for 20 hrs.
Crai	1 day Non-continuous compensation water		
Pontsticill	2 half days under release of compensation water		

Comparative information is not available.

Customer Compensation

Our performance on this measure has not led us to making any direct payments of compensation to customers in the financial year 2019/20.

Definition:

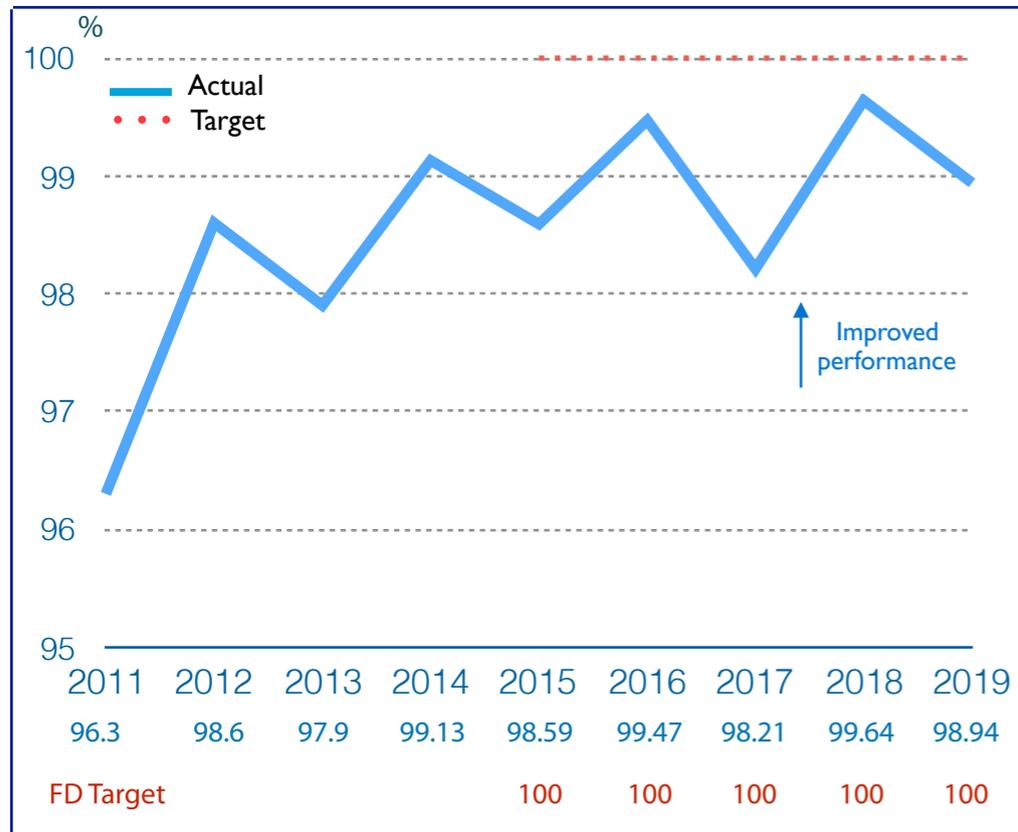
Compliance with abstraction licences is an essential part of environmental protection. We target (and generally achieve) 100% compliance with the substantive requirements of our abstraction licences. The methodology for abstractions performance has been agreed with NRW.



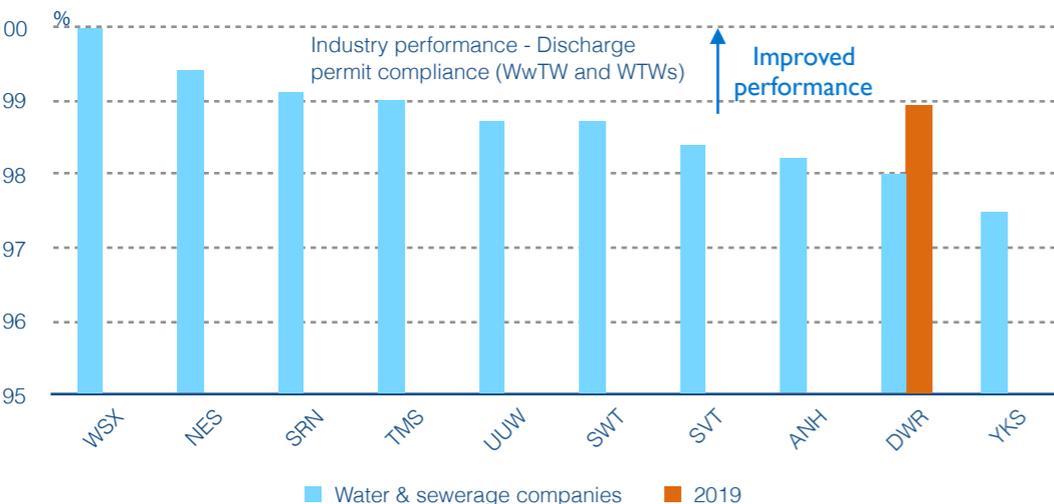
2.5 - MOS B2. Treating Waste Water

Applicable to Price Control: WHOLESALE WASTE WATER

OFWAT MOS Reputational



Summary Performance:	Our performance for 2019 is 98.94% compared to 99.64% in 2018. This is based on six Waste Water Treatment Works (WwTWs) failing out of a total of 564 WwTWs with numeric permits.
Customer Compensation:	Our performance on this measure has not led us to making any direct payments of compensation to customers in the financial year 2019/20.
Definition:	<p>For each of our WwTWs there is a permit which regulates the quality of wastewater the company is allowed to discharge into rivers and coastal waters. This is regulated by NRW. The measure is the percentage compliance against the discharge permits.</p> <p>The total number of WwTWs is taken from the NRW's 'Discharge Environmental Permit Compliance' report.</p> <p>This measure is reported on a calendar year basis.</p>
Looking Forward:	A similar measure will continue for the next price review (PR19) starting in 2020. The PR19 performance commitment is En1 Treatment works compliance.



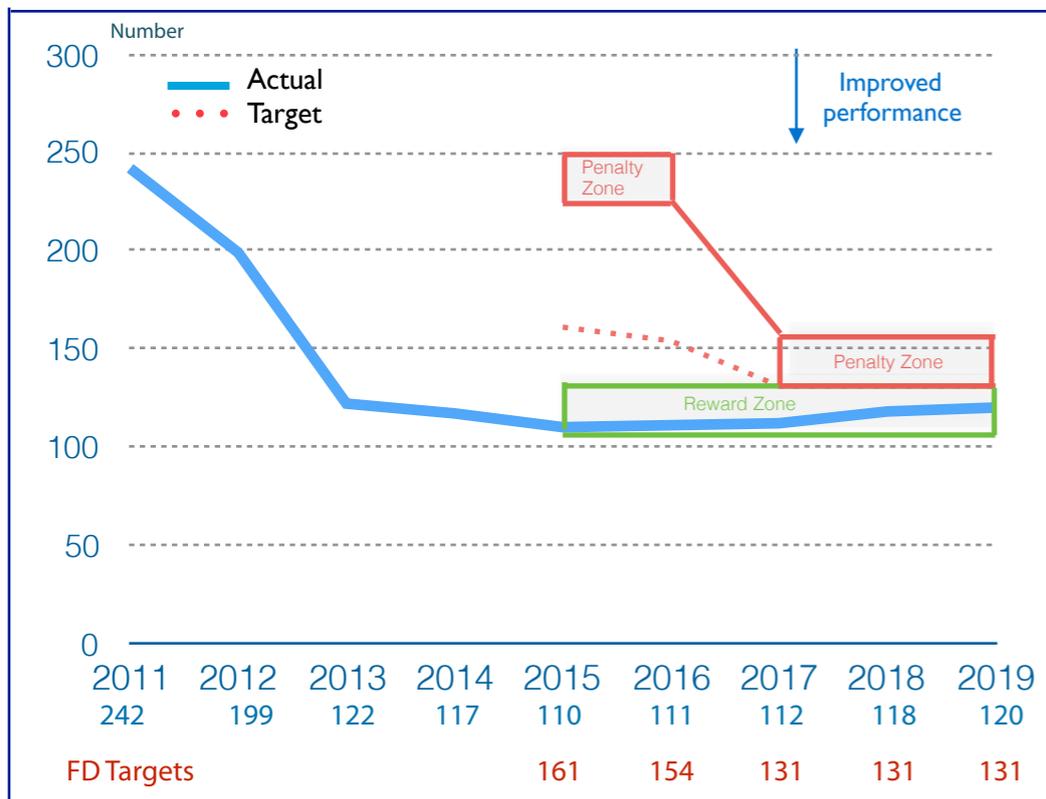
Source: Environment Agency - companies performance 2018



2.5 – MOS B3 Pollution Incidents (Category 3)

Applicable to Price Control: WHOLESALE WASTE WATER

OFWAT MOS Reward & Penalty



Summary Performance: Overall, the total number of category 3 pollution incidents (low impact) during the year was 120 (last year 118).

In addition, there were two category 2 incidents in the year.

On 1 April 2017, NRW introduced a new incident Categorisation Guidance (which classifies incident by reference to their impact). We have reported to NRW on this basis. High Level incidents (major and significant) equate to what were regarded as Serious Incidents (categories 1 and 2 respectively). Low Level incidents are equivalent to category 3.

Our performance in the year has resulted in us earning a notional reward of £0.52m. In addition, for the reporting years 2015 to 2018 we earned notional rewards of £0.99m, £0.94m, £0.89m and £0.61m respectively. This has resulted in us earning an overall reward of £3.95m for the five year reporting period of AMP6.

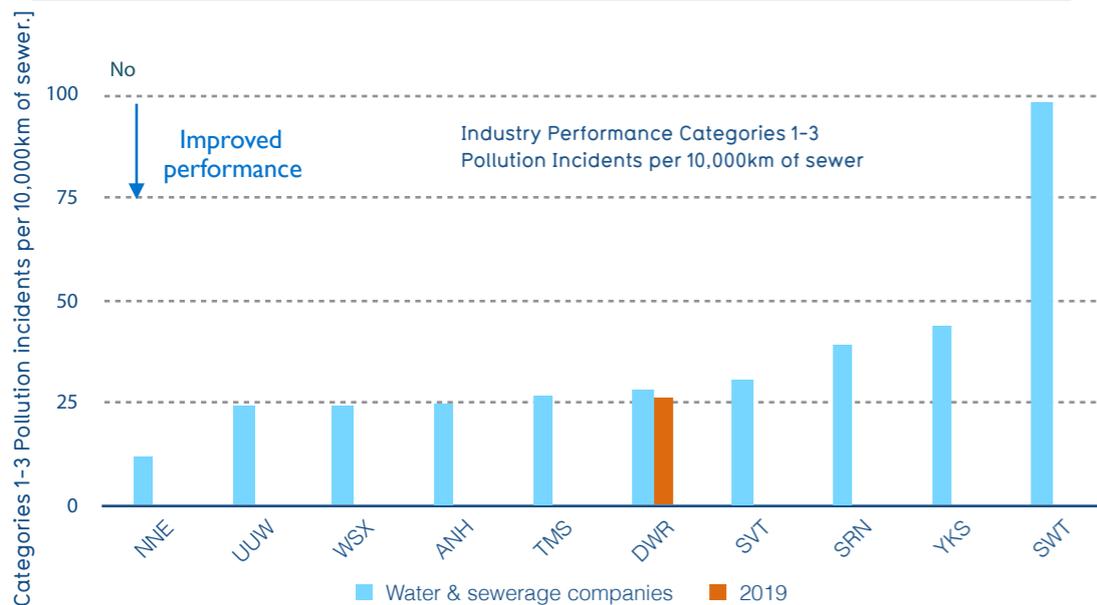
Customer Compensation Our performance on this measure has not led us to making any direct payments of compensation to customer in the financial year 2019/20.

Definition: Pollution incidents are classified into four categories. We report the highest three categories which are those which affect the environment, category 1 being the most serious.

This measure is the total number of category 3 pollution incidents associated with the water and wastewater business which we or members of the public identify and report to NRW annually.

This measure is reported on a calendar year basis.

Looking Forward: A similar measure will continue in AMP7 (the five-year reporting period from 1 April 2020 to 31 March 2025). Our measure going forward (En3 - Pollution Incidents) will see us reporting the total number of pollution incidents per 10,000 km of our wastewater network.



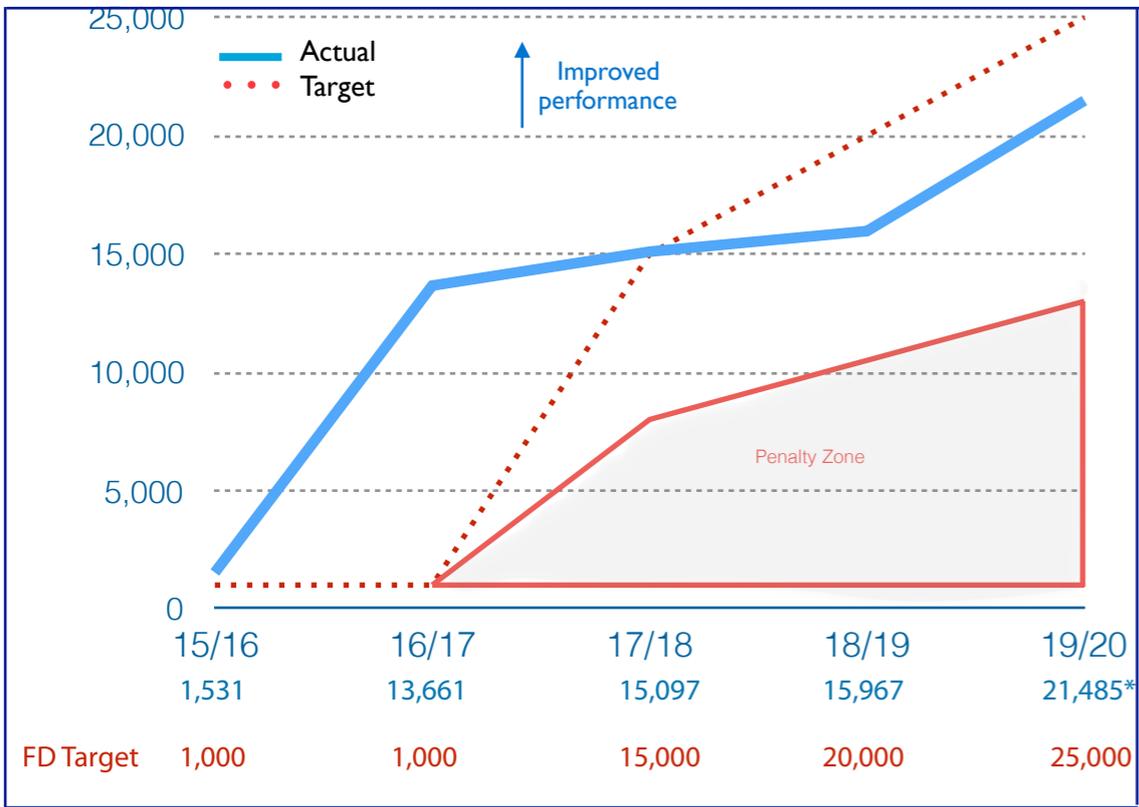
Source: Discover Water - 2018



2.5 – MOS C1 Responding to Climate Change

Applicable to Price Control: **WHOLESALE WASTE WATER**

OFWAT MOS Penalty



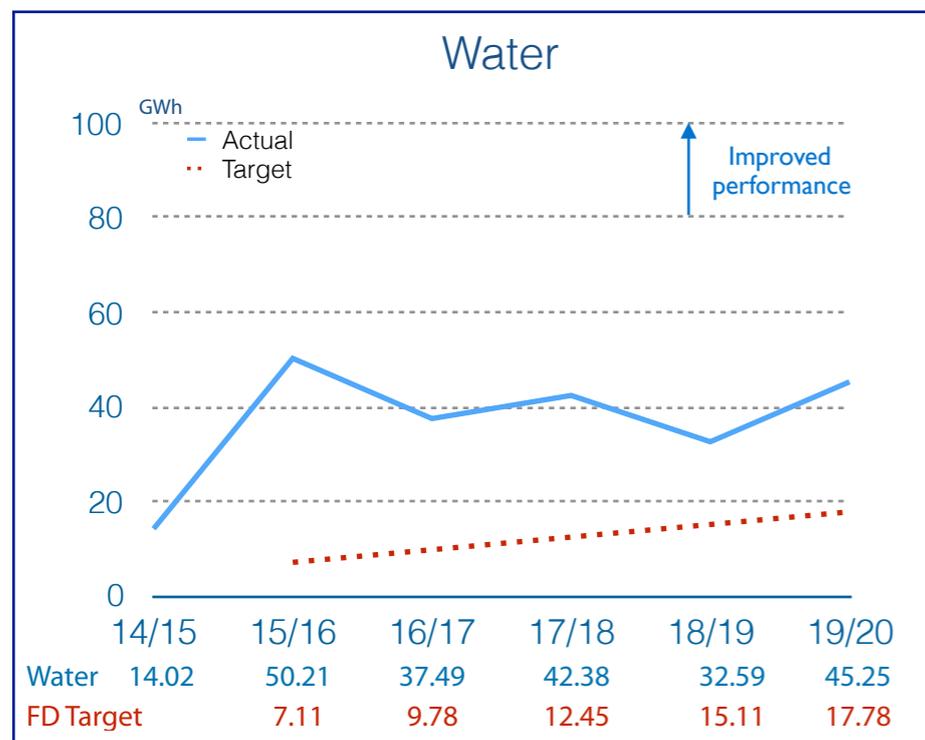
*Note: In our Annual Reports and Accounts we reported 22,211, which was a slightly earlier performance figure.

Summary Performance:	<p>During 2019/20, we delivered fifteen RainScape schemes to remove surface water from our combined sewer systems, equivalent to 5,518 rooftops. The cumulative total for the period 2015/16 to 2019/20 is 21,485 rooftops and is below our cumulative target for the year.</p> <p>One of those schemes at Colwyn Bay sea front was surface water from highways and roofs entering the combined sewer redirected to discharge into coastal waters. This accounted for 1,425 roof equivalents.</p> <p>In making this calculation, there is inevitably an element of judgement and subjectivity. However, we believe that the basis of assessment is fundamentally sound. It was made whilst weather conditions were normal (i.e. not during a storm or drought period) and is therefore representative.</p>
Customer Compensation	<p>Our performance on this measure has not led us to making any direct payments of compensation to customers in the financial year 2019/20.</p>
Definition:	<p>This measure reflects the completion of schemes to reduce the amount of surface water entering the company's systems. The measure is the volume of surface water removed from the system, expressed in the number of properties' equivalent, i.e. what runs off the roofs of properties. The 'property equivalent' volume is 100m³ p.a.</p> <p>Our performance on this measure was reset to zero from the start of AMP6 and is then measured and reported on a cumulative basis.</p> <p>This measure is reported on a financial year basis.</p>

Looking Forward: A similar measure will continue for the next Price Review (PR19) starting in 2020/21. This PR19 performance commitment is Ft4 Surface water removed from sewers. The difference is that the target is based on yearly performance commitment not a cumulative target for the five year period 2020/21 to 2024/25.



2.5 – MOS C2 Carbon Footprint



Applicable to Price Control:

WHOLESALE WATER

WHOLESALE WASTE WATER

OFWAT MOS Reputational

Summary Performance: Our performance on this measure is 121.98 GWh of renewable energy generated (85 GWh in 2018/19), as against a combined target of 100 GWh.

There was an increase in renewable generation in 2019/20 from the previous year mostly driven by excellent Combined Heat and Power (CHP) engine performance.

Customer Compensation: Our performance on this measure has not led us to making any direct payments of compensation to customers in the financial year 2019/20.

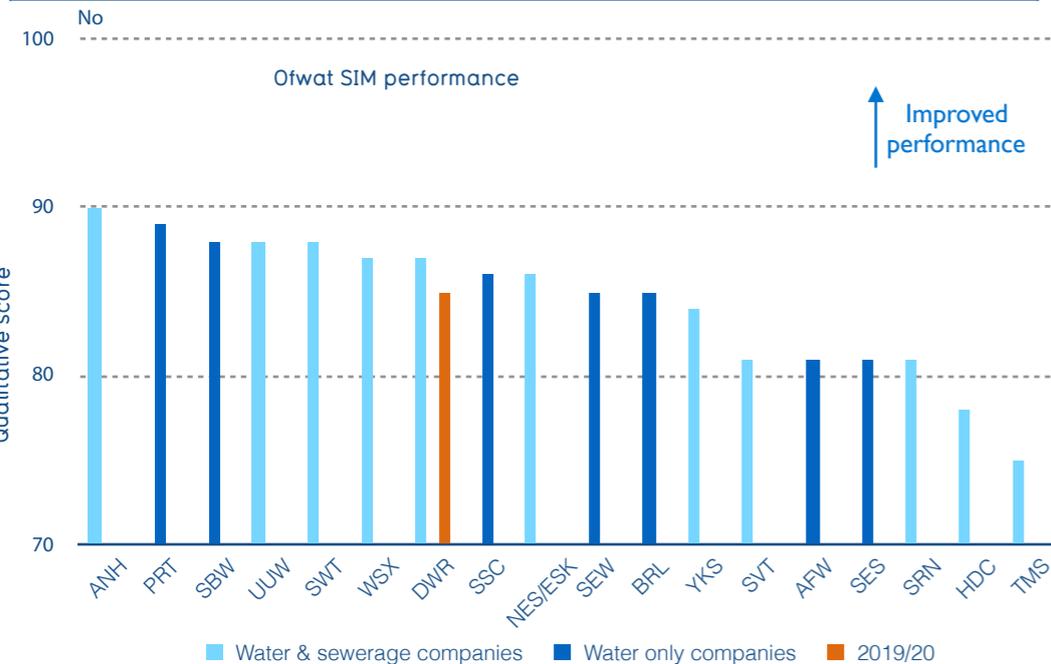
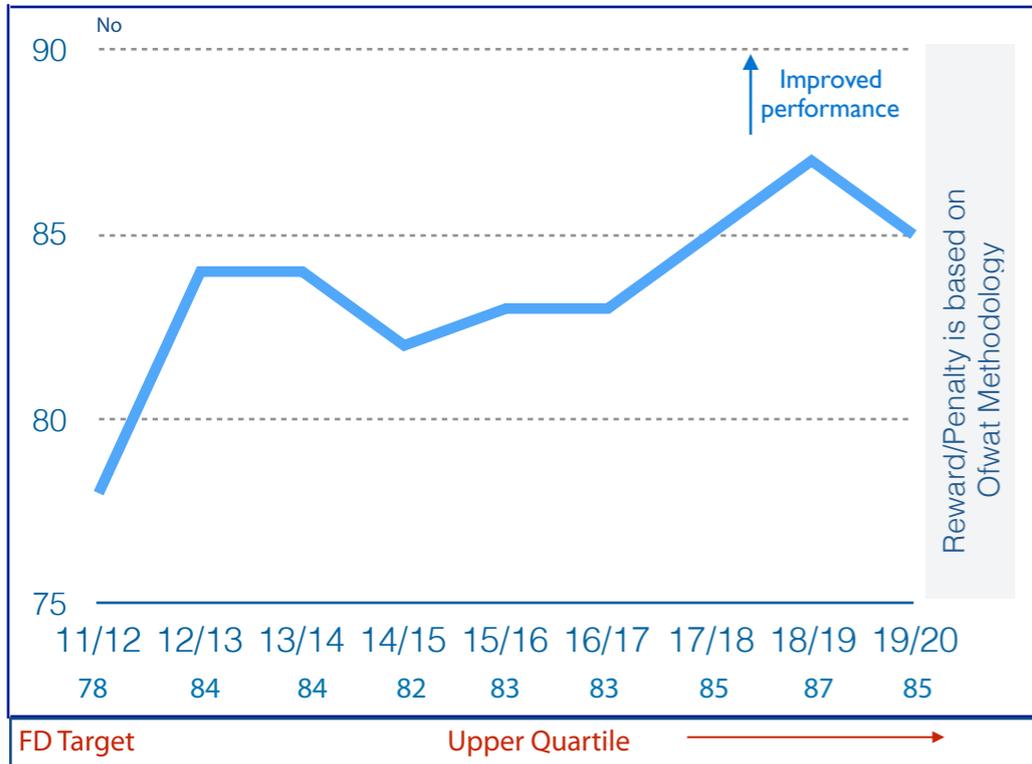
Definition: The total GWh of renewable energy generated within the year.

This measure is reported on a financial year basis.

Looking Forward: A similar measure will continue in AMP7 (the five-year reporting period from 1 April 2020 to 31 March 2025). Our measure going forward (Ft3 - Energy Self-sufficiency) will see us reporting electricity generated and gas injected to grid as a percentage of all electricity and gas consumed by the company.



2.5 - MOS D1 - Service Incentive Mechanism (SIM)



Source: Discover Water 2018/19



Summary Performance: **Household SIM** (This measure only applies to Household customers.)
 The SIM score for 2019/20 is based on a SIM proxy calculation as SIM did not operate in this year as Ofwat were operating C-MeX as a shadow year. C-MeX is Ofwat's customer measure of experience introduced as part of the 2019 price review (PR19) have been running in shadow form since 1 May 2019 and until 31 March 2020. On the qualitative element of the assessment, we were ranked second out of the Water and Sewerage companies.

The comparative analysis on this page applies to 2018/19 performance as we will not know our position for 2019/20 until such time as other companies publish their results. For 2018/19 we finished fifth out of the eleven water and sewerage companies.

Non-Household SIM (This measure only applies to Non-Household customers.)
 A separate non household SIM applies to companies operating wholly or mainly in Wales. We will not know the comparative position for 2019/20 until such time as other companies publish their results. For 2018/19 in the CCWater Non-Household Complaints report, we were placed in 8th position of the 15 other retailers (including new market entrants). The report is based on the complaints reported over 10,000 supply points and we are well under the average. The number of complaints from Non household customers has decreased from 559 to 382 in 2019/20. We anticipate that this improvement in performance will have a significant effect on our ranking when comparative information becomes available later this year.

Customer Compensation Our performance on this measure has led us to making a total of 3,384 payments to the value of £270,900 by way of direct payments of compensation to customers in the financial year 2019/20. Of these, 1,903 payments to the value of £40,220 have been made under the Guaranteed Service Standards (GSS) to which all companies must adhere.

Definition: This is the combination of the SIM quantitative and SIM qualitative scores and is the overall score Ofwat uses to rank companies' service performance. The quantitative measures combines several elements, and each element is weighted to reflect the increasing impact on customers. It includes unwanted telephone calls, written complaints and CCWater investigations.

The qualitative indicator measures how satisfied customers are with the quality of the service they receive and is based on quarterly Ofwat surveys of a sample of customers who have had direct contact with companies during the year.

A revision to the Ofwat methodology has changed the respective weighting to 75% qualitative and 25% quantitative assessment.

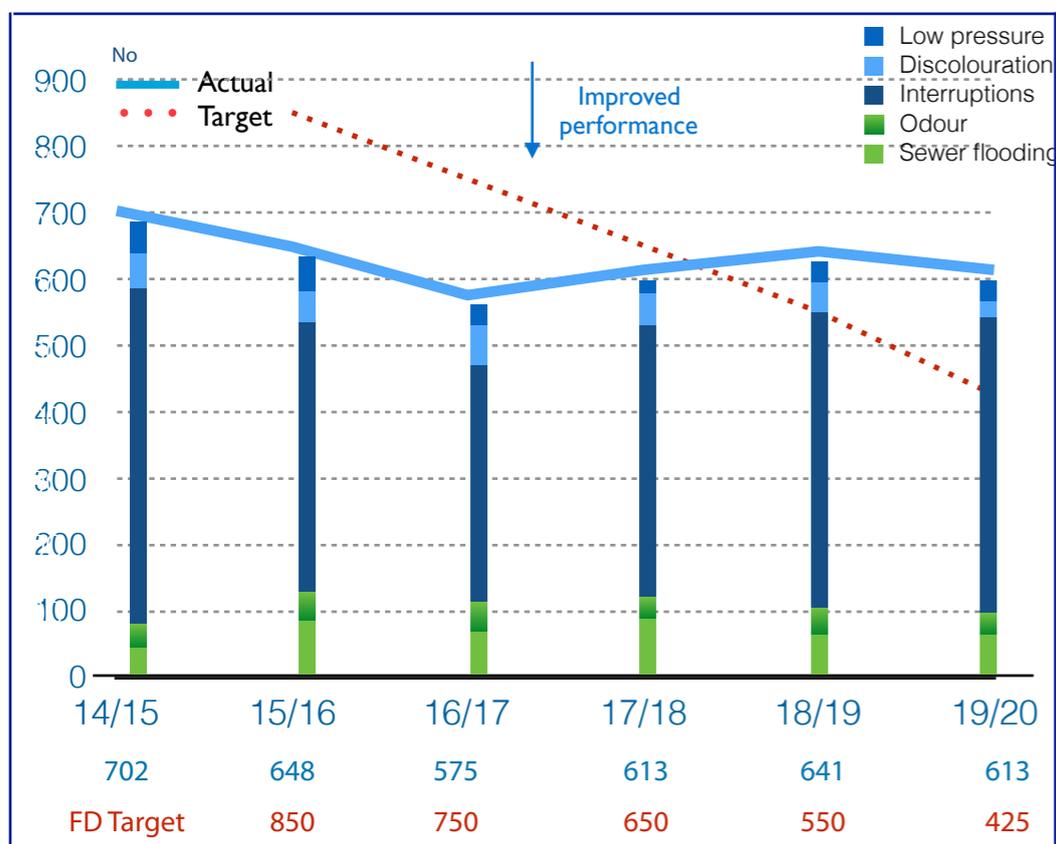
This measure is reported on a financial year basis.

The non household SIM measure is derived from a comparative assessment of the volume of non household written complaints, escalated complaints and CCWater investigations received.

Looking Forward: A new measure is being implemented for the next Price Review (PR19) starting in 2020/21. The PR19 performance commitment is Sv1 C-MeX.



2.5 – MOS D2 At Risk Customer Service



Applicable to Price Control:

WHOLESALE WATER

WHOLESALE WASTE WATER

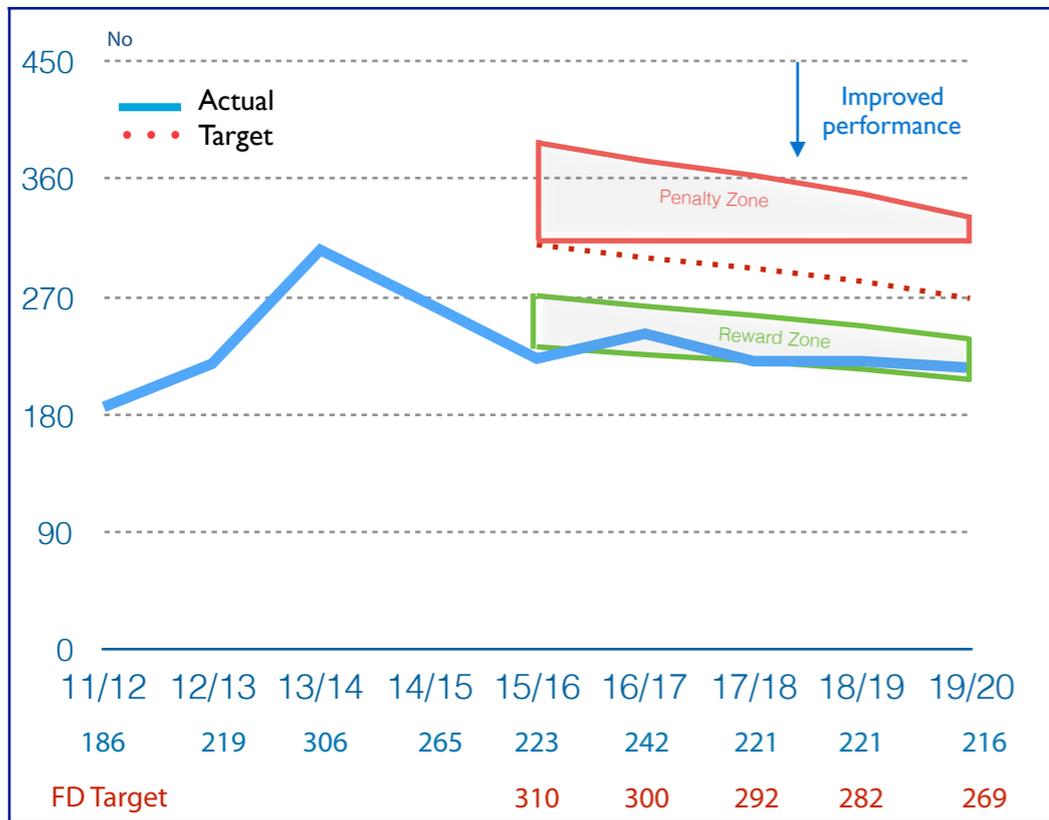
OFWAT MOS Reputational

Summary Performance:	<p>We had 613 customers on our 'At Risk Register' at the end of the year. (641 in 2018/19)</p> <p>Our performance on three of the five sub areas has improved this year.</p> <p>Sewer flooding remained stable this year compared to last year. Low pressure had a slight increase from 35 to 36, this slight increase was a result of movement in March which was impacted due to pressure testing delayed as a result of Coronavirus.</p>
Customer Compensation	Any compensation to customers will have been made under MOS, A3, D1 and D3.
Definition:	<p>This is a measure aimed at reducing the number of 'repeat' contacts in a number of key areas and is the number of customers who are on our "At Risk Register" at the end of the financial year.</p> <p>Customers are deemed to be at risk if their service has repeatedly fallen short in one of the following five areas:</p> <ul style="list-style-type: none"> • discolouration of water; • interruptions to supply; • low pressure; • odour from wastewater assets; or • sewer flooding. <p>On the sewer flooding element of this measure any incidents that arise from transferred private pumping stations are not included.</p> <p>This measure is reported on a financial year basis.</p>

Looking Forward: For the next Price Review (PR19) starting in 2020/21 we will have two similar measures. These PR19 performance commitments are Rt4 Worst served customers for water service and Rt5 Worst served customers for wastewater service.



2.5 - MOS D3 Properties flooded in the year



Applicable to Price Control: WHOLESALE WASTE WATER

OFWAT MOS Reward & Penalty

Summary Performance: Our performance in the year has improved to 216 properties affected by sewer flooding compared to 221 properties in 2018/19.

Our performance over the last two years means that we have earned a notional reward of £1.18m.

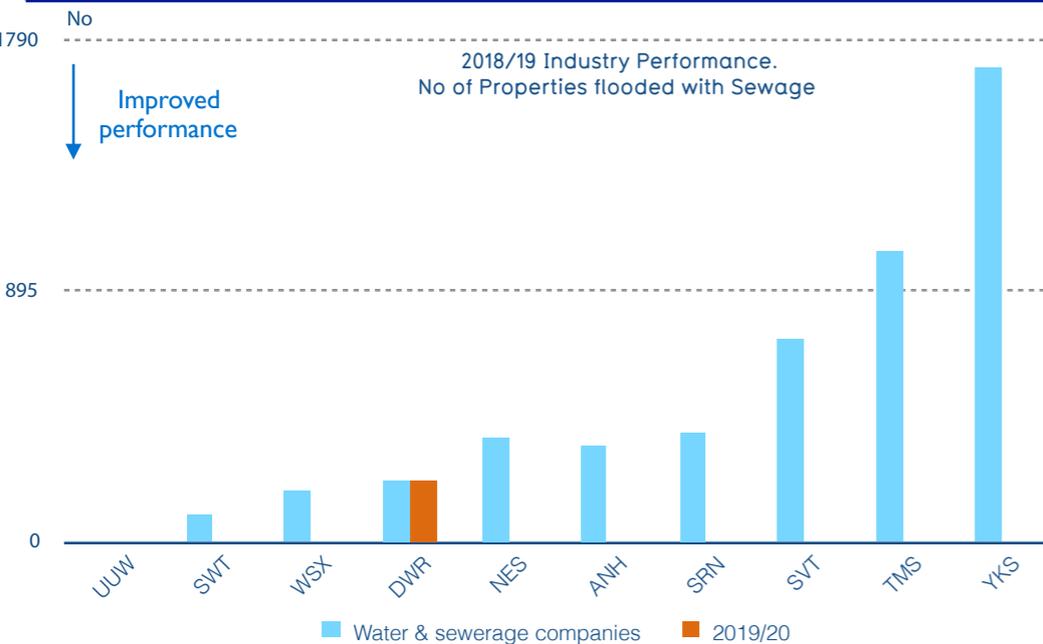
Customer Compensation: Our performance on this measure has led us to making a total of 566 payments to the value of £145,754 by way of direct payment of compensation to customers in the financial year 2019/20, who have experienced flooding. Of these, 457 payments to the value of £96,575 have been made under the Guaranteed Service Standards (GSS) to which all companies must adhere.

Definition: The number of properties suffering internal sewer flooding per year due to 'hydraulic overload' (HO) and 'other causes' (OC). The HO performance excludes flooding due to severe weather i.e. storms with a confirmed return period of 1 in 20 years or greater. The OC flooding incidents generally arise from blockages, but can also result from collapses and equipment failures.

Any properties affected by sewer flooding and attributable to the private sewers that transferred to the company in October 2011 are now included within this measure. Any sewer flooding incidents arising from transferred pumping stations are not included within this measure.

This measure is reported on a financial year basis.

Looking Forward: A similar measure will continue for the next Price Review (PR19) starting in 2020/21. This PR19 performance commitment is Rt1 Internal sewer flooding.



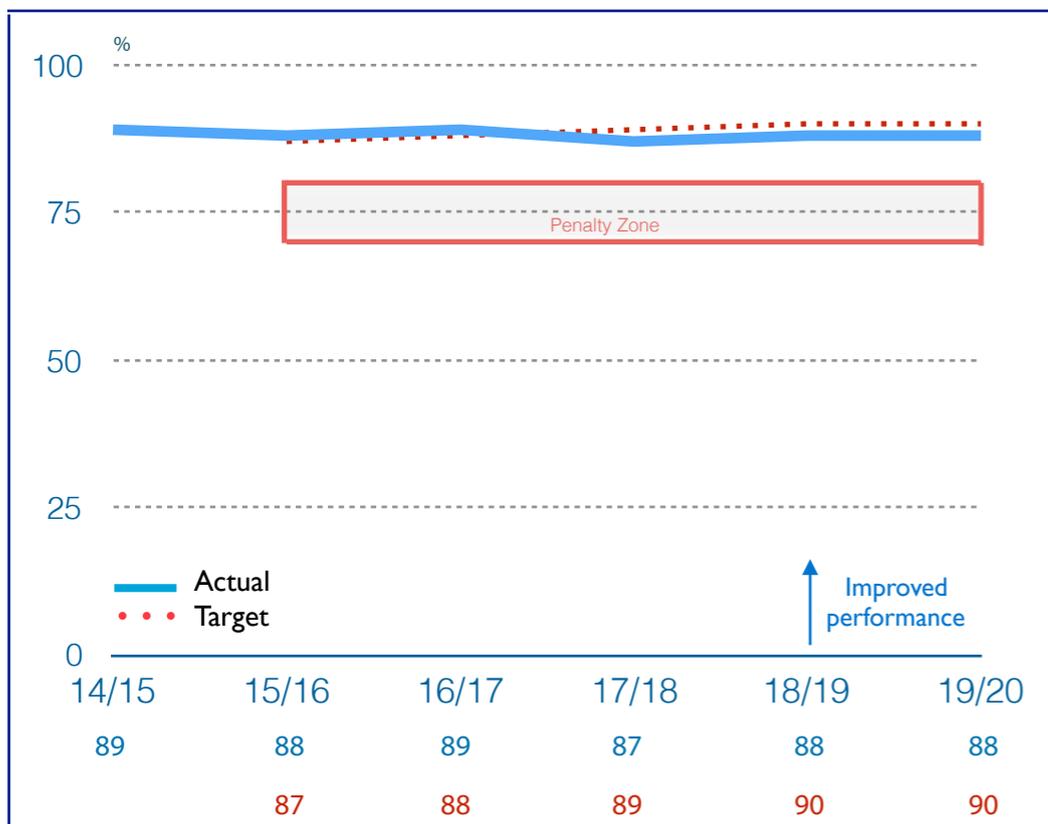
Source: - CCWater and Water Uk (Discover Water)



2.5 - MOS D4 Business Customer Satisfaction

Applicable to Price Control: NON-HOUSEHOLD

OFWAT MOS Penalty



Summary Performance:

Our performance of 88% on this MOS, is below the target of 90%.

Accent (a market research company) undertake a random sample of at least 500 satisfaction surveys for our non-household (NHH) customers every six months. The first survey took place in July 2019 and the second survey was in January 2020. The scores from these surveys were 4.43 and 4.40 respectively giving us a combined score of 4.42. The score for the year has been calculated by taking the average of the two surveys and then dividing by the maximum score of 5 to provide the satisfaction percentage for the year.

We recognise that there are likely to be fluctuations in customer satisfaction views and we have seen this with the surveys undertaken in July 2019 and January 2020 and in previous surveys..

Although falling short of the target, a score of 88% (average of 88% over the last six years) demonstrates a high degree of customer satisfaction and is well above the penalty zone.

Comparative information for this measure is not available.

Customer Compensation

Our performance on this measure has not led us to making any direct payments of compensation to customers in the financial year 2019/20.

Definition:

Our non-household customers are surveyed every 6 months and rate their satisfaction on a 1 (very dissatisfied) to 5 (very satisfied) scale. The survey question asks customers "Taking everything into account, how satisfied or dissatisfied are you with the way that Welsh Water handles your account?"

The average of these 1 to 5 scores provides the score out of 5. The average customer score (out of 5) is then converted into a percentage.

This is not the same as the non-household SIM measure.

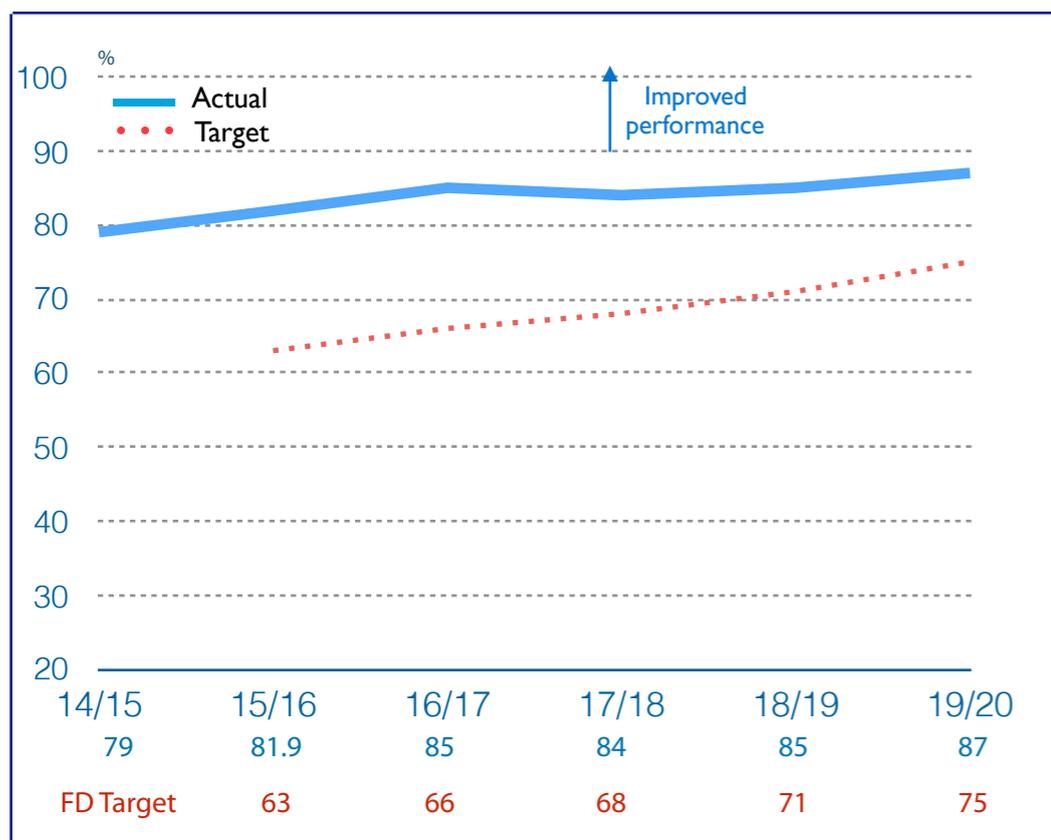
This measure is reported on a financial year basis.

Looking Forward:

A similar measure will continue for the next Price Review (PR19), starting in 2020/21. In order to mitigate against fluctuations in scores the surveys will be undertaken every quarter. This PR19 performance commitment is Sv4 Business customer satisfaction.



2.5 - MOS D5 Earning the Trust of Customers



Summary Performance: To understand the levels of trust of our customers, we have, during the year, undertaken a programme of research to survey both household and non-household customers.

The research is undertaken through computer assisted telephone interviewing, conducted by Accent. Customers are asked a series of questions about Welsh Water and the services it provides - including a question asking customers if they “trust Welsh Water to do the right thing” which is used as the basis for this measure.

Our performance of 87% (85% last year) is based on surveys undertaken in the year.

Customer Compensation: Our performance on this measure has not led us to making any direct payments of compensation to customers in the financial year 2019/20.

Definition: The vision of the company is to “Earn the trust of customers every day”. Measuring the level of customer trust in the company provides an overall perception of both customer service received and the reputation of the company.

This measure is derived from the output of two surveys of our customers during the year. The measure is the average percentage of customers who confirm that they trust us.

The measure will be derived from the results of an annual survey. The annual survey is comprised of a number of surveys carried out over the year.

This measure is reported on a financial year basis.

Looking Forward: A similar measure will continue for the next Price Review (PR19) starting in 2020/21. The PR19 performance commitment is Sv3 Customer trust.



2.5 – MOS E1 Affordable Bills

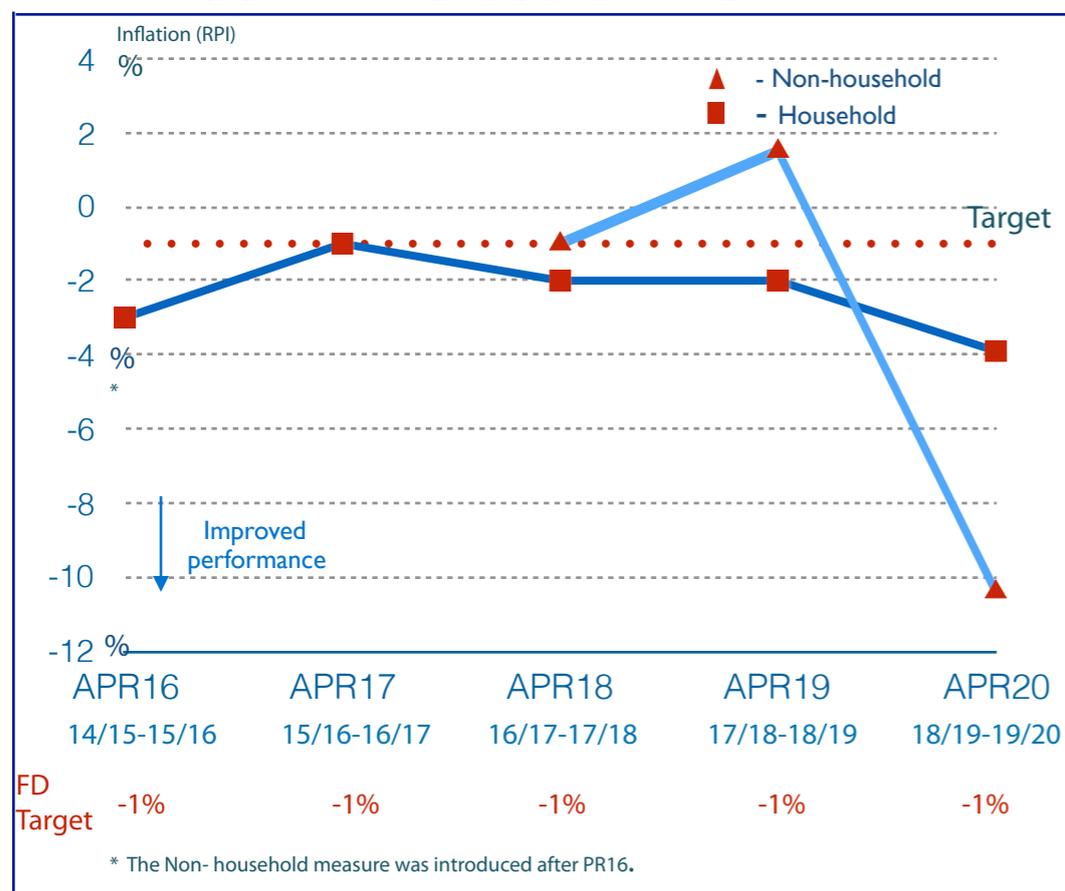


Table 1 - Price Controls covered by each Performance Commitment

Price control:	Wholesale		Retail			Performance Commitment	
	Water	Wastewater	Household	Business (Customer Group 1)			
				Water <50MI	Wastewater	Water >50MI	
Household Customers	✓	✓	✓				E1 (HH)
Business							
Non-Household (non-contestable) customers	✓	✓		✓	✓		E1 (NHH)
Contestable customers	✓					✓	N/A 1

1 In addition to the competitive pressure of Open Water on bills for contestable customers, further protection is provided through the retail business price control by the gross margin and the supplementary cap mechanism and through the wholesale water revenue control by early stakeholder engagement for significant changes to wholesale water charges and publication of indicative wholesale water charges both mandated by the wholesale charging rules for contestable customers.



Summary Performance: This measure is set at a company-wide basis and applies to the all four price controls. (see table 1). The change in average household bill set for the period covered by this report was 3.9% below inflation. The change in average non-household bill set for the period covered by this report was 10.4% below inflation.

Customer Compensation: Our performance on this measure has not led us to making any direct payments of compensation to customers in the financial year 2019/20.

Definition: The extent to which the Company will continue to make average customer bills more affordable. Our target is to keep increases in the average bill for customers not eligible to benefit from Open Water to 1% below the rate of inflation calculated from the change in November RPI. This will be measured by two performance metrics where the average bill is defined as revenue divided by number of customers. The real change in average bill relates to the charges set for the reporting year.

E1 (HH) Average Household Bill - Performance will be measured at the time that charges are set by reference to the percentage change from the provisional average household bill for the current year to the forecast average household bill expected to be recovered from the charges being set for the next charging year. The calculated change is compared to the rate of inflation determined by the percentage change in November RPI, the value used for charge setting purposes. For the purposes of MoS E1 (HH) the average household bill is the sum of the average bill for unmeasured and measured supplies for water services and the average bill for unmeasured and measured supplies for sewerage services.

E1a (NHH) Average Non-household Bill - Performance will be measured by the same methodology to that used to calculate the average Household Bill. The measure will be calculated from the change in the average bill for business customers within the “customer group 1” classification for the Final Determination of business retail price controls made in December 2016. E1a (NHH) will be measured at the time that charges are set by reference to the percentage change from the provisional average customer group 1 bill for the current year to the forecast average customer group 1 bill expected to be recovered from the charges being set for the next charging year. The calculated change is compared to the rate of inflation determined by the percentage change in November RPI, the value used for charge setting purposes. For the purposes of MoS E1 (NHH) the average customer group 1 bill is the sum of the average bill for unmeasured and measured supplies to the “<50 MI Water” customer type and the average bill for unmeasured and measured supplies to the “Sewerage” customer type. The measure is reported on a financial year basis.

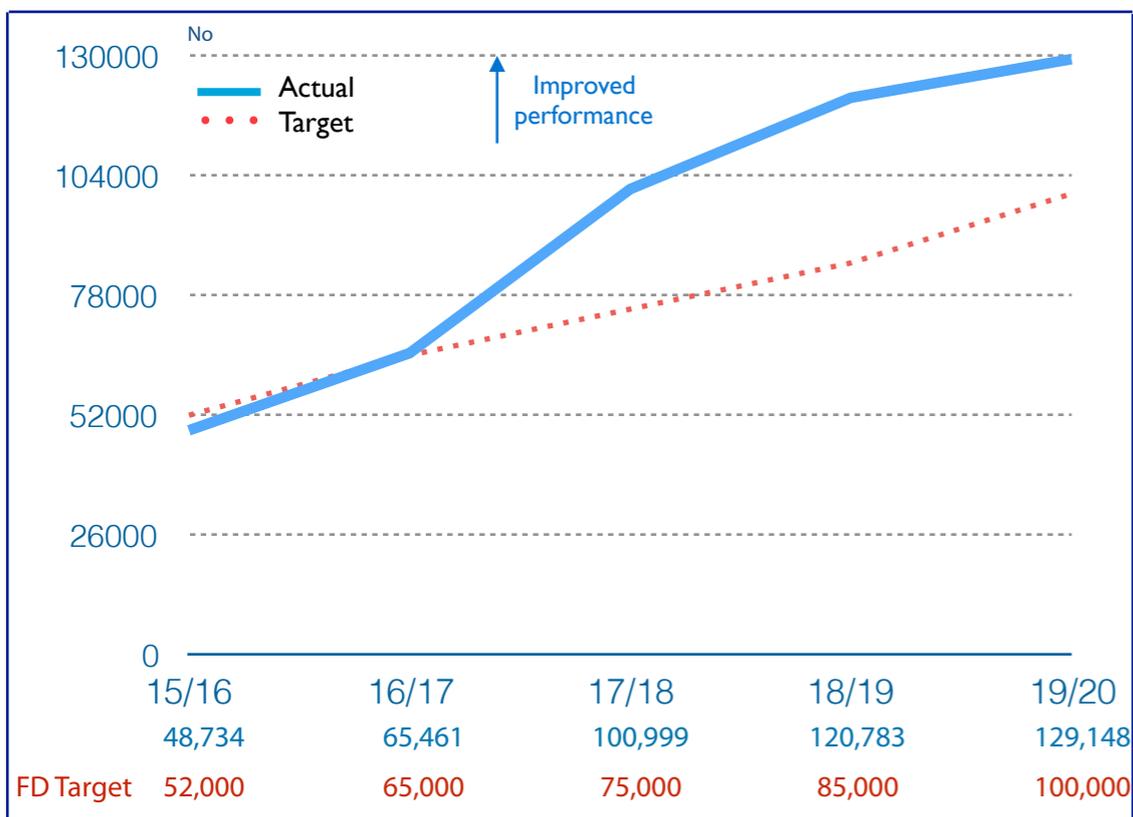
Looking Forward: A similar measure has been implemented for the next Price Review (PR19), starting in 2020/21, we have a performance commitment (reference BI1) called Change in average household bill. We have committed to keeping bill increases below inflation as measured by the CPIH (Consumer Price Index including owner occupier’s housing costs).



2.5 – MOS E2 Help for Disadvantaged Customers

Applicable to Price Control: RETAIL

OFWAT MOS Reputational



Summary Performance:

Our 2019/20 performance is 129,148 as against a target of 100,000. This is an improvement on last year, when the figure was 120,783.

The 2014 FD target includes four of the five 'social tariffs/means of assistance'. Customers who benefit from 'Water Collect' are not included in the 2019/20 figure of 129,148.

If 'Water Collect' customers were added to the 129,148 the total number of customers benefitting from social tariffs/means of assistance would be 133,079.

The breakdown as between the different social tariffs/means of assistance is as follows:

	Total number of customers/schemes
HelpU	88,024
WaterSure Wales*	31,355
Water Direct	13,744
Customer Assistance fund	2,745
Water Collect	8,004
Total	143,872

*Welsh Water Assist and WaterSure Wales have now been combined.

Some customers benefit from more than one affordable tariff/means of assistance which explains why the figure of 133,079 differs from the 143,872 reported in the table above.

Comparative information for this measure is not available.

Customer Compensation

Our performance on this measure has not led us to making any direct payments of compensation to customers in the financial year 2019/20.

Definition:

The number of customers benefitting from social tariffs. The measure embraces all social tariffs and means of assistance and includes HelpU, WaterSure Wales, Water Direct, and the Customer Assistance Fund (but not Water Collect).

This measure is reported on a financial year basis.

Looking Forward:

A similar measure has been implemented for the next Price Review (PR19), starting in 2020/21. The PR19 performance commitment is B12 Vulnerable customers on social tariffs. This performance commitment includes customers on the HelpU and WaterSure social tariff schemes.

Index	Introduction	Performance Measures	Ofwat Summary Performance	Assurance	Appendix
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2.5 – MOS F1 – Serviceability

Applicable to Price Control:

WHOLESALE WATER

WHOLESALE WASTE WATER

OFWAT MOS Penalty

F1 Asset Serviceability	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Actual Water - Infra	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Actual Water - Non Infra	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Actual Wastewater - Infra	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Actual Wastewater - Non Infra	Marginal	Stable							
FD Target	Stable								

Summary Performance: The suite of indicators have been reviewed for each sub service and our conclusions are as follows:
Water Infrastructure - Stable
Water Non Infrastructure - Stable
Wastewater Infrastructure - Stable
Wastewater Non Infrastructure - Stable

Further details can be found on the next four pages.

Comparative information for this measure is not available.

Customer Compensation Our performance on this measure has not led us to making any direct payments of compensation to customers or any voluntary payments in the financial year 2019/20.

Definition: These are the assessments of the recent historical trend in serviceability to customers, as measured by movements in service and asset performance indicators. There are four separate sub-services, i.e. water infrastructure, water non-infrastructure, wastewater infrastructure and wastewater non-infrastructure. We make a judgement about the overall serviceability in each sub-service as one of the following:

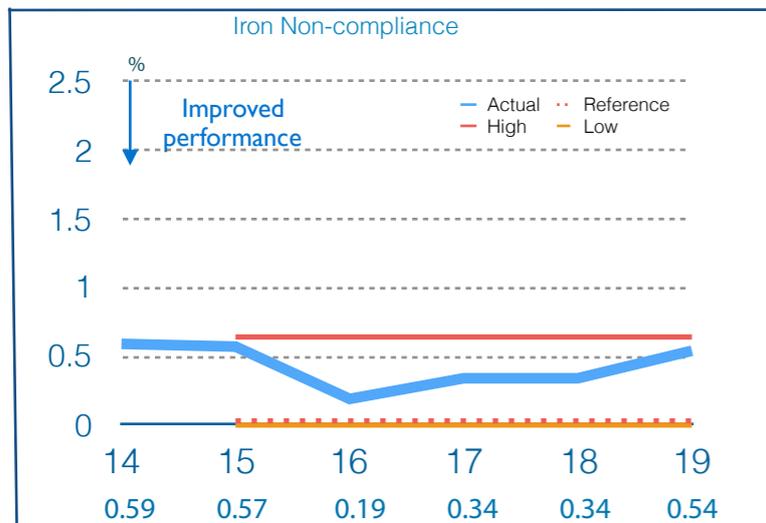
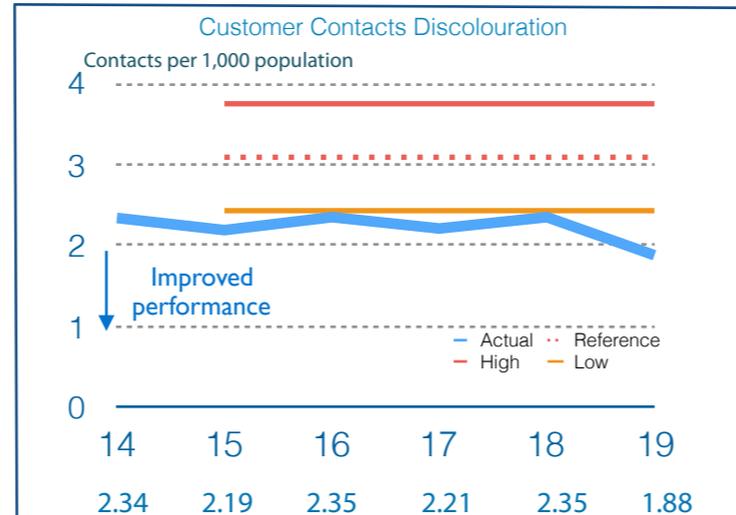
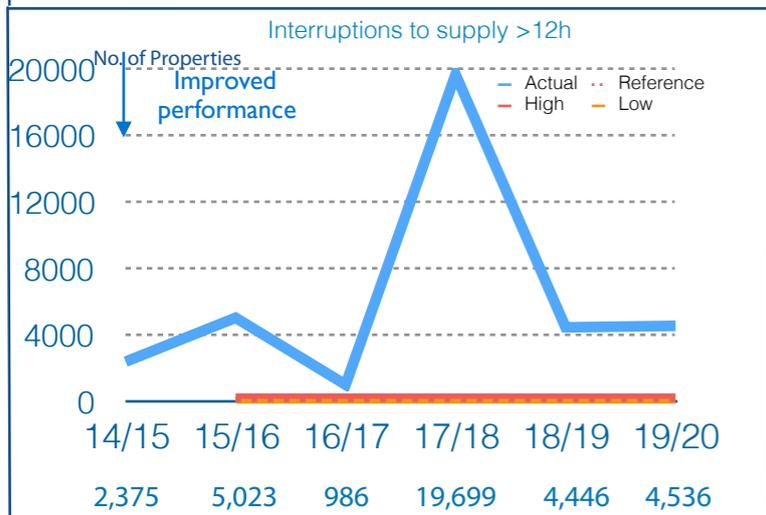
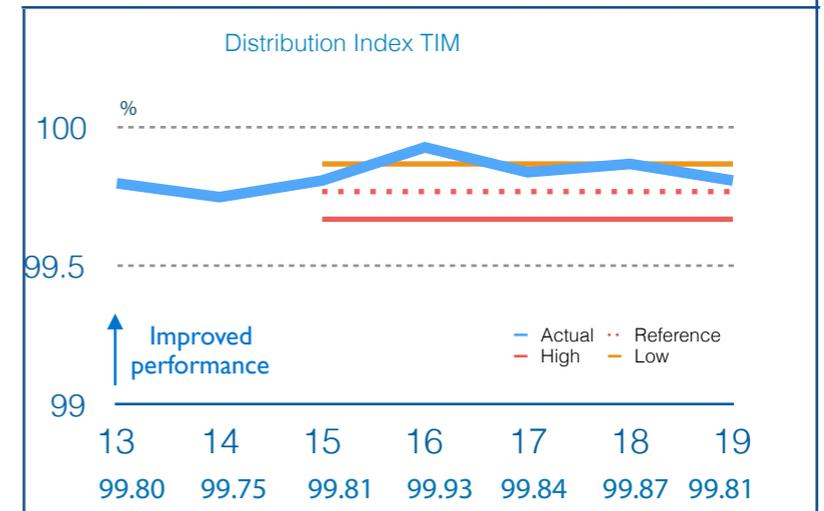
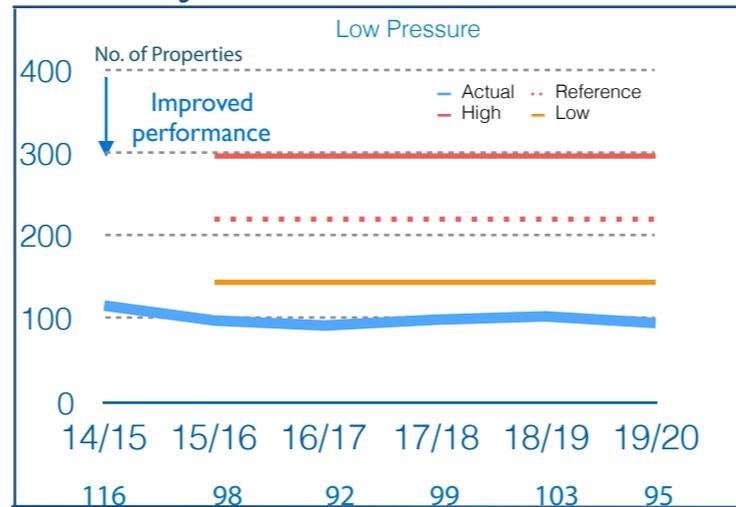
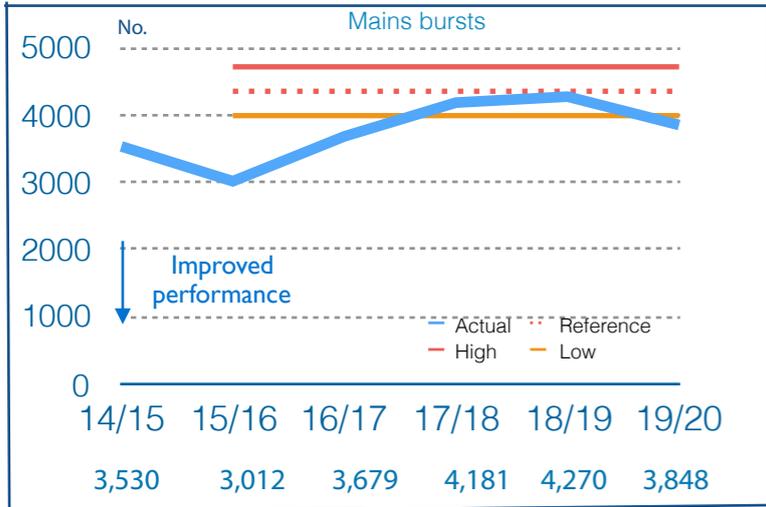
- Improving
- Stable
- Marginal
- Deteriorating

The serviceability assessment involves reviewing recent historical trends in a defined suite of asset performance indicators. Reference levels and control limits have been set for each indicator. An indicator is regarded as stable when its performance remains within the control limits and oscillates around the reference level year on year.

This measure is reported on a financial year basis.



2.5 – Water Infrastructure Serviceability



Summary Performance:

Water Infrastructure - Our assessment of serviceability is “Stable”.

Of the six indicators, the only one in which we are above the upper control limit is on the number of properties affected by supply interruptions of >12 hours duration.

The figure for supply losses >12 hours in duration is a volatile measure that can be heavily influenced by single one-off events that are difficult to predict, e.g. 3,142 properties were affected for >12 hours during the Hereford burst trunk main in November 2019, 332 properties were affected for >12 due to the flooding of Mayhill Water Treatment Works in Monmouth during Storm Dennis in February 2020 and 160 properties were affected for >12 hours during the Deeside burst main in February 2020. We believe that the assessment of serviceability should be based on an underlying trend rather than temporary variances. Whilst there was a large increase in 2017/18 due to the exceptional weather event of Storm Emma, the overall trend of the measure over the AMP is considered to be stable.

As we have indicated previously, we do not believe that the reference level set for this indicator is realistic, as it was based on performance in 2009, a year when there were only 40 customer properties affected by interruptions of >12 hours.

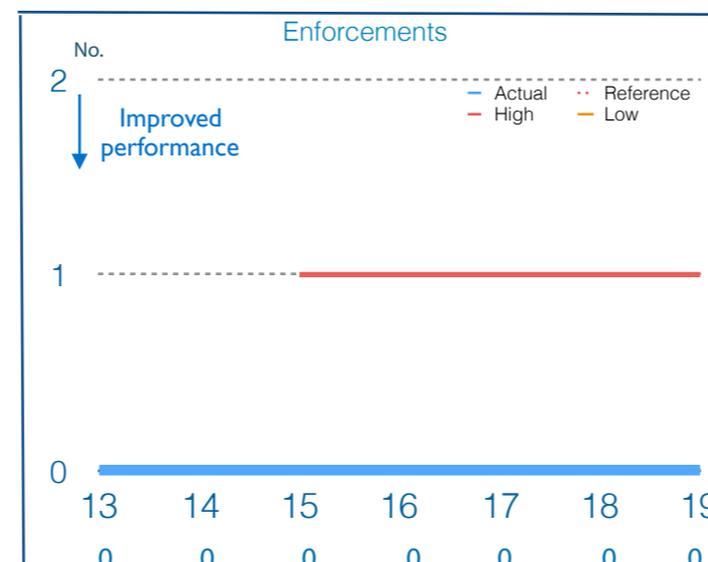
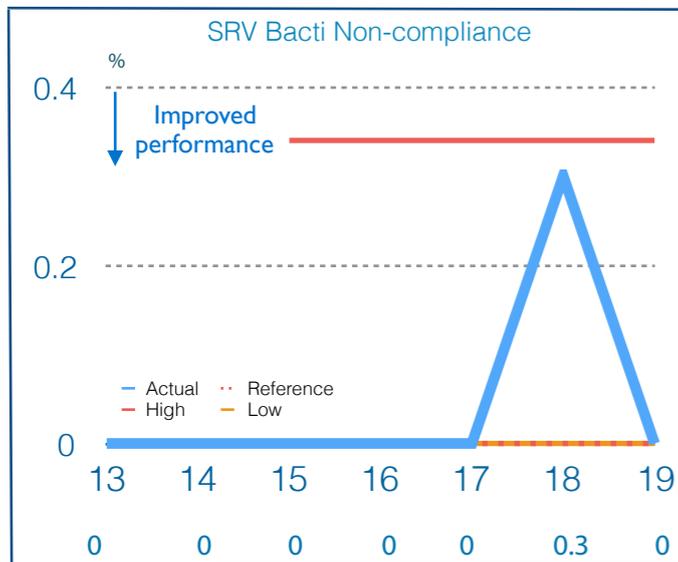
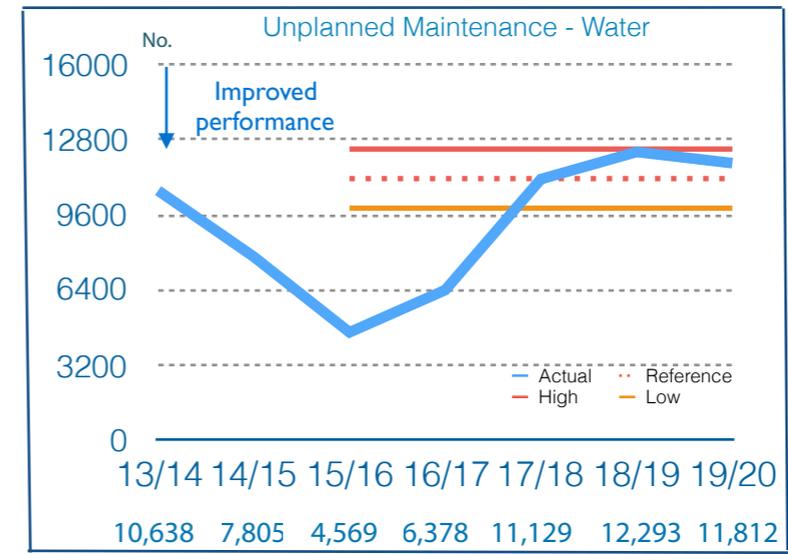
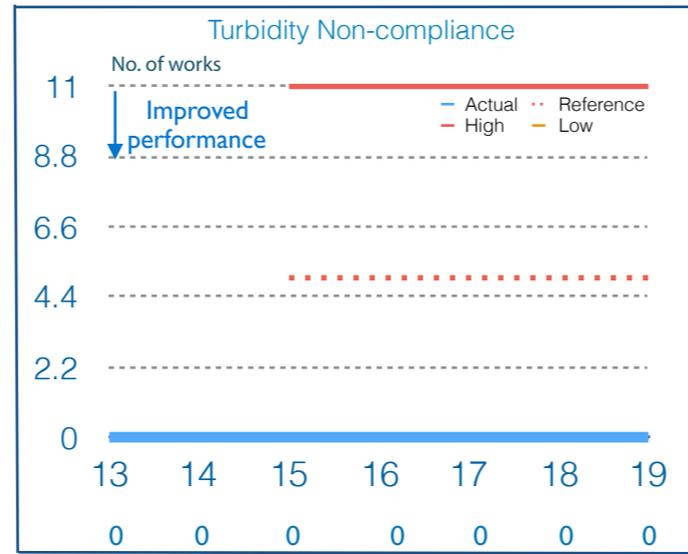
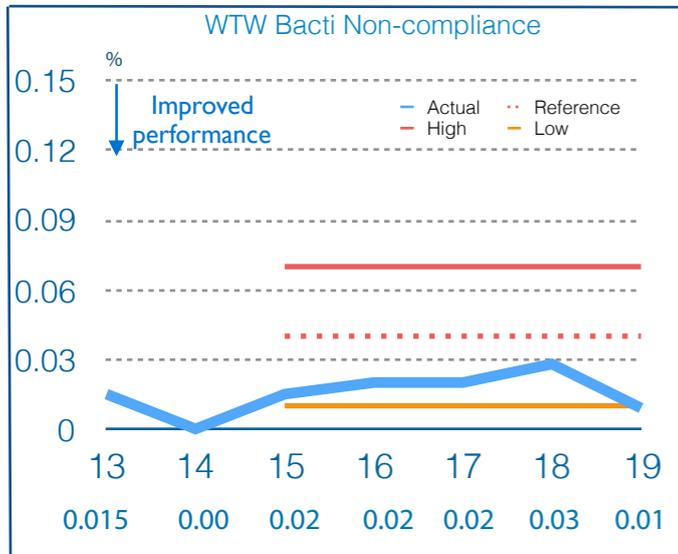
On three of the other indicators, mains burst, discolouration contacts and properties on the low pressure register, our performance is below the lower control limit. In all of these three indicators our performance is improved when compared to 2018-19.

On Iron non-compliance and TIM non-compliance it can be seen that we are within the control limits.

Comparative information is not available on all measures.



2.5 - Water Non-Infrastructure Serviceability



Summary Performance:

Water Non-Infrastructure - Our assessment of serviceability is "Stable".

All of the indicators are within or below the control limits and our performance this year has either improved or remains the same as 2018-19.

In 2016/17, we reported that in assessing the number of Unplanned Maintenance jobs we would (from 1 April 2017) be using an automated process to assess maintenance jobs which are unplanned. In doing so, we are removing an element of judgement in the way that these jobs are classified and the change will make the process more robust.

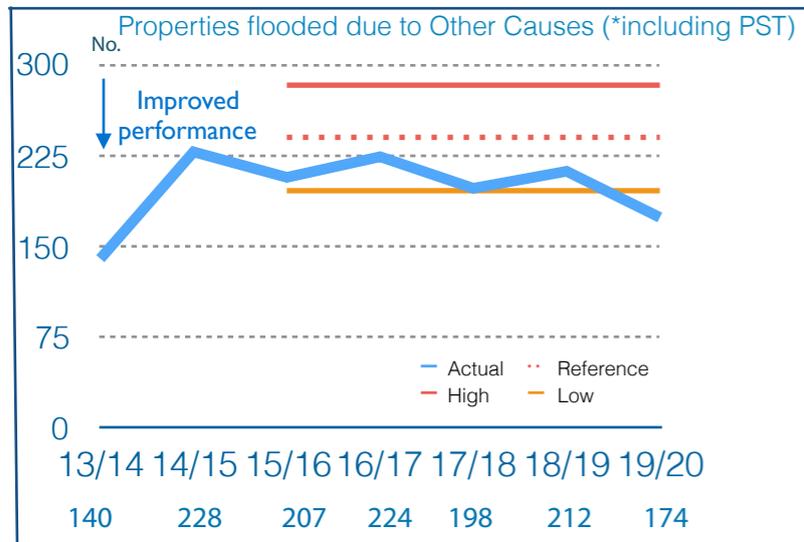
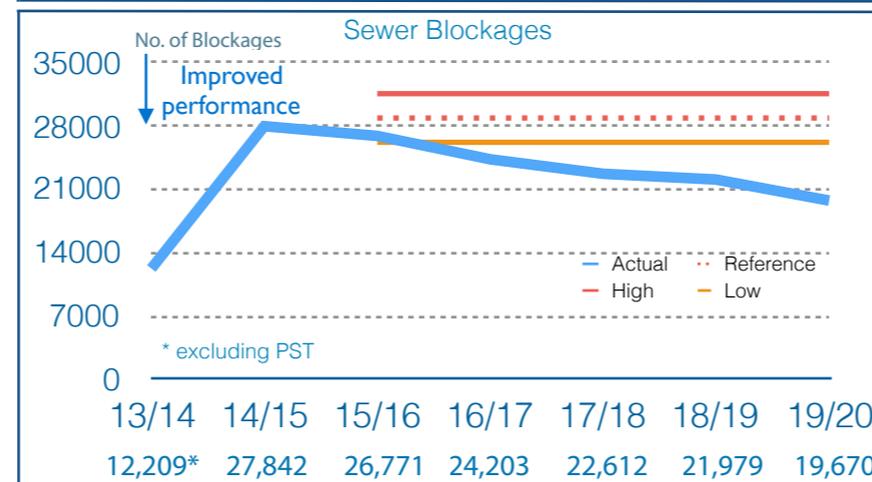
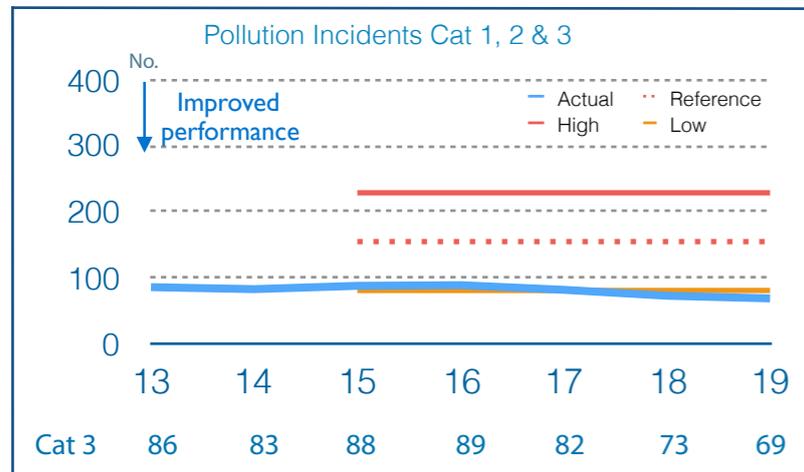
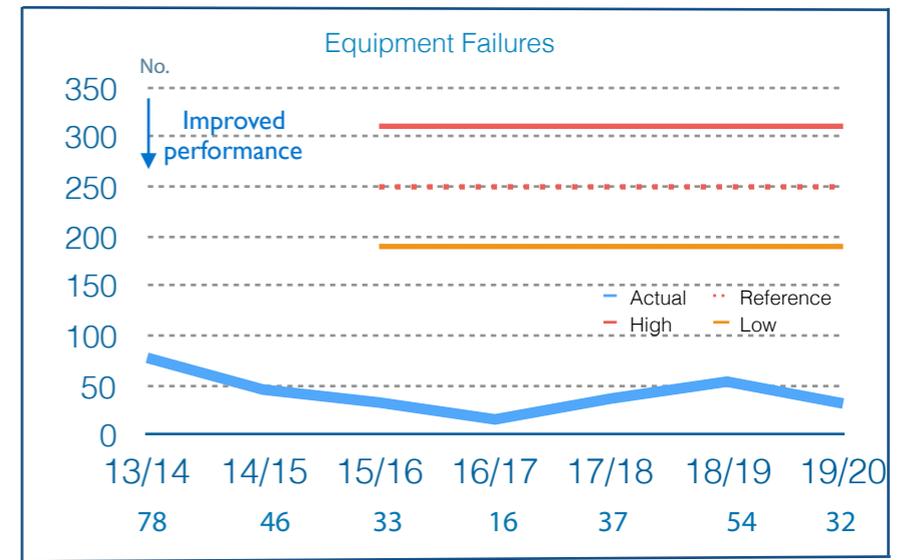
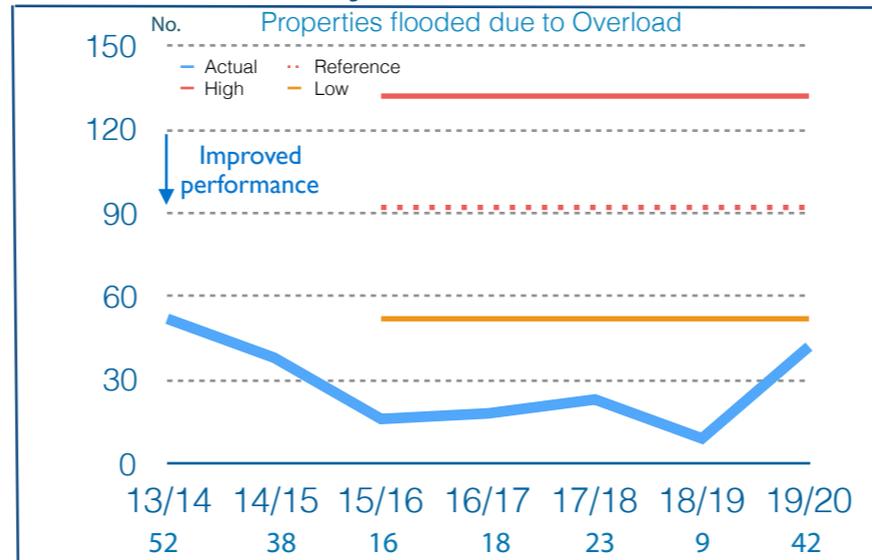
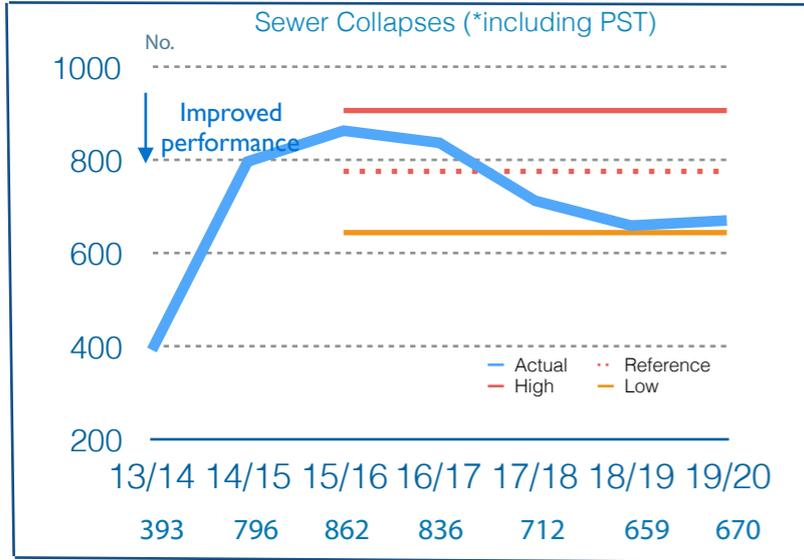
The increase in numbers was to be expected and our objective is to use the enhanced reporting tool as a means of driving improved performance. This is now in line with the process followed for reporting Unplanned Maintenance Wastewater.

The enhanced reporting of jobs will help improve our understanding of unplanned events and allow us to target positive intervention on critical assets in advance of equipment or asset failure.

Comparative information is not available on all measures.



2.5 - Wastewater Infrastructure Serviceability



Summary Performance:

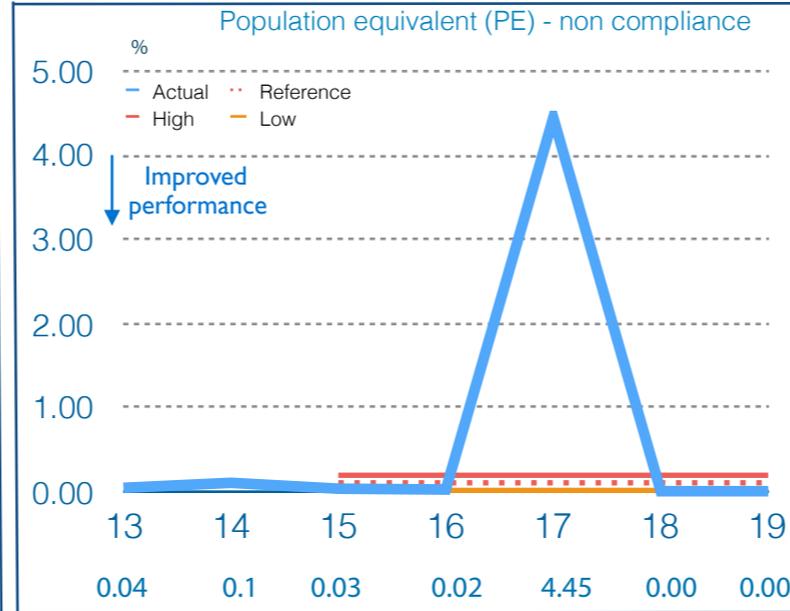
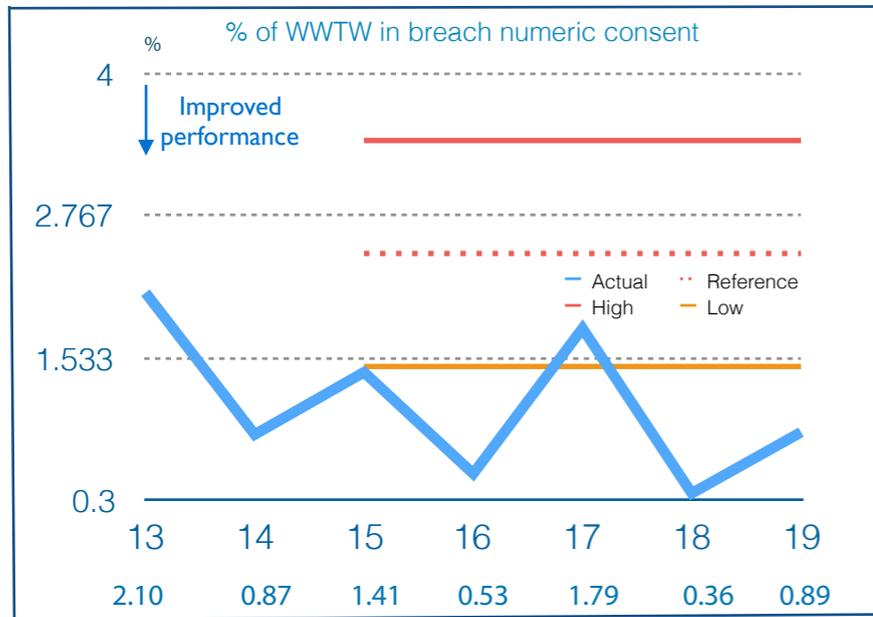
Wastewater Infrastructure - Our assessment of serviceability is "Stable".

On all six measures we are within or below the control limits.

Comparative information is not available on all measures.



2.5 - Wastewater Non-Infrastructure Serviceability



Summary Performance:

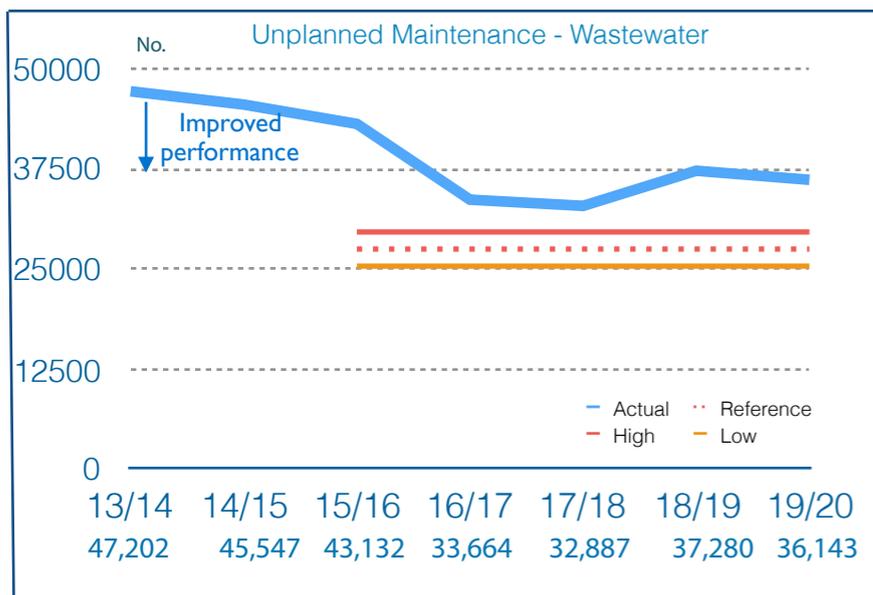
Wastewater Non-Infrastructure - Our assessment of serviceability is "Stable".

The data for 2019 is provisional until Natural Resources Wales (NRW) sign off the year end performance.

On one of the measures we are below the control limits.

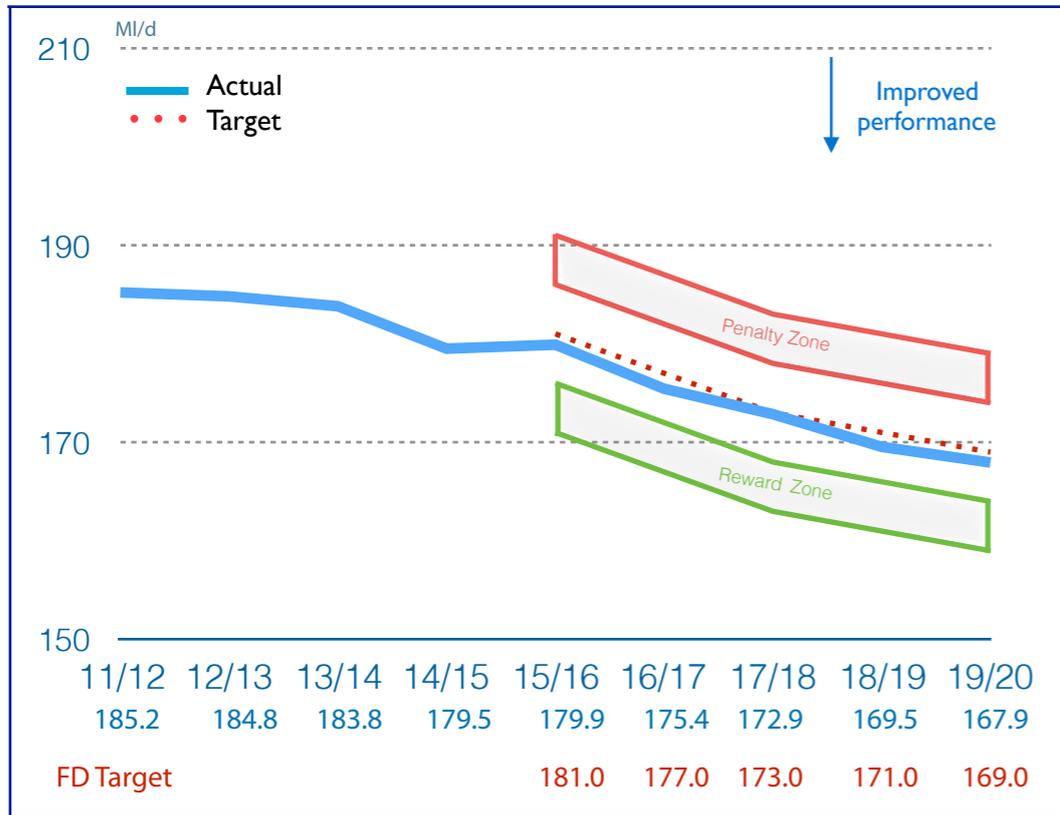
Our performance on unplanned maintenance continues to be above the upper control limit, with the number of unplanned jobs falling to 36,143 in the year. We have not seen an increase in the number of asset breakdowns and do not believe that being above the upper control limit is symptomatic of an underlying deterioration in asset performance.

Comparative information is not available on all measures.





2.5 - MOS F2 Leakage



Applicable to Price Control: WHOLESALE WATER

OFWAT MOS Reward & Penalty

Summary Performance: Total Leakage has reduced in line with the AMP6 Business Plan target to deliver performance of 167.9 MI/d during 2019/20.

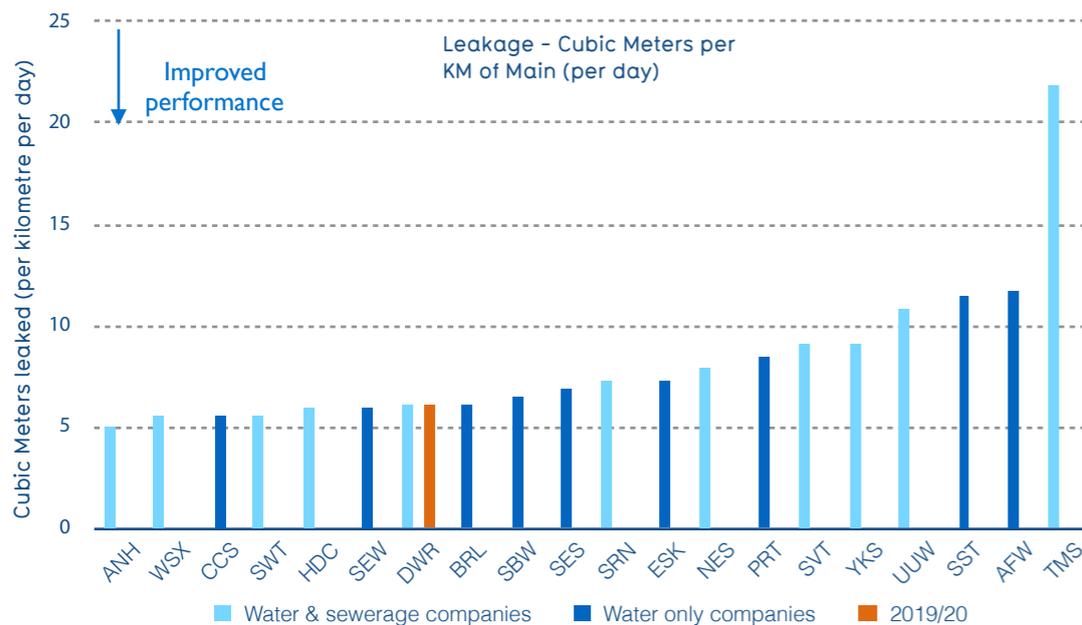
The performance of 167.9 MI/d has delivered below the 2019/20 target of 169MI/d and is in line with the achievement of the overall AMP6 Sustained Economic Level of Leakage (SELL) glide path target reduction.

Although we have included industry performance in 2018/19 (principally to show how we have performed against other water and sewerage companies), this is not an accurate comparator as the figures for leakage are based on a company's economic level of leakage, an assessment which is specific to each company.

Customer Compensation: Our performance on this measure has led us to making 52 payment to the value of £15,931 by way of direct payment of compensation to customers in the financial year 2019/20. These payments have been made to assist customers with the cost of private leakage repair.

Definition: Total leakage measures the sum of distribution losses and supply pipe losses in megalitres per day (MI/d). It includes any uncontrolled losses between the Water Treatment Works and the customer's stop tap. It does not include internal plumbing losses.

This measure is reported on a financial year basis.

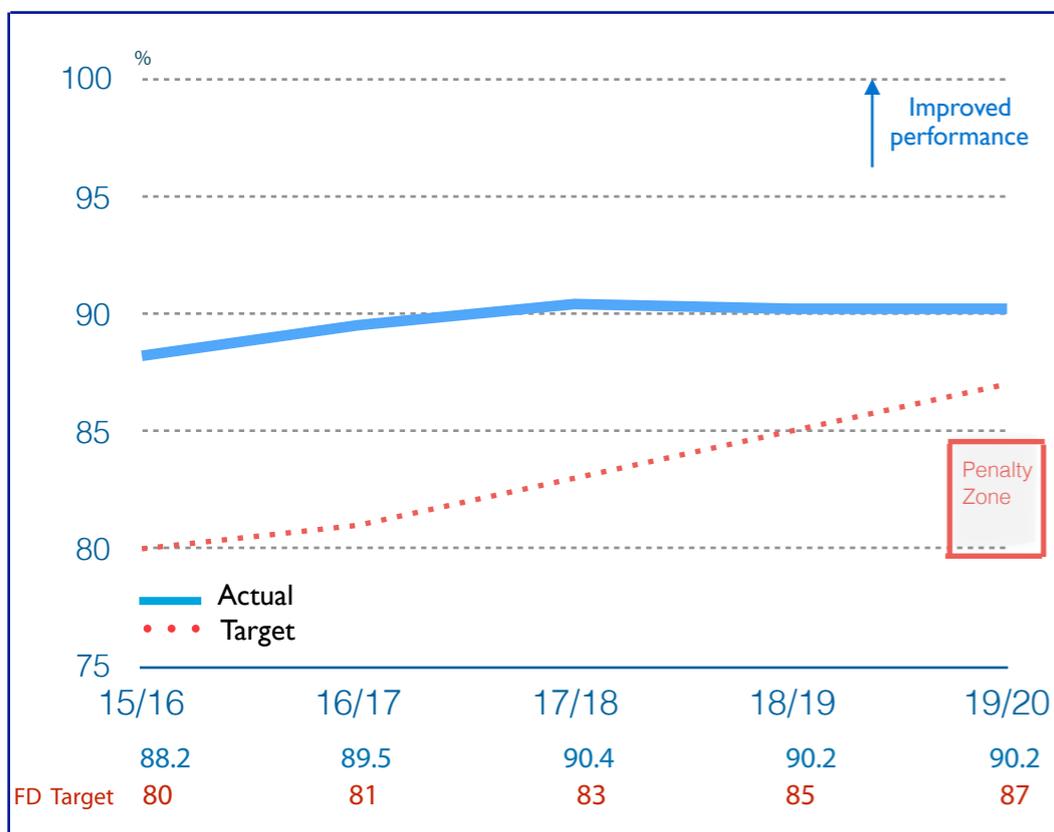


Source: Discover Water 2018



2.5 – MOS F3 Asset Resilience – Water

Applicable to Price Control: **WHOLESALE WATER** **OFWAT MOS Penalty**



Summary Performance: Our performance of 90.2% which equals our performance from 2018/19 and is ahead of the target for the year which was 87%.

This performance is based upon the list of critical assets included in our PR14 Business Plan which informed the 2014 FD.

In addition, we monitor and report internally on the updated list of critical assets, recognising that new and improved data is available to inform the definition of a critical asset. By way of illustration, the PR14 Business Plan included 91 assets. The current list of critical assets is now 111. The internally reported performance is 89.6% as against 89.0% last year.

Comparative information for this measure is not available.

Customer Compensation: Our performance on this measure has not led us to making any direct payments of compensation to customers in the financial year 2019/20.

Definition: The percentage of critical assets that are resilient against a set of criteria. Critical assets are those where failure would have a major impact on service to customers or on the environment.

The list of critical assets is determined by reference to an agreed set of criteria. A resilience scorecard is used to assess critical designed to measure resilience against the following:

- Security and Emergency Measures Directive (SEMD) risk;
- Flood Risk;
- Coastal Erosion Risk;
- Loss of Power Risk;
- Loss of Remote Control ability
- Loss of any part of the treatment process;
- Loss of water or wastewater supply capacity; or
- Loss of access to the asset.

This measure is reported on a financial year basis.

Looking Forward: We have been working to progress delivery of the Resilience Action Plan that we published in August 2019. Our first set of deliverables are due in 2020/21 and we are on track to meet the dates that we committed to.

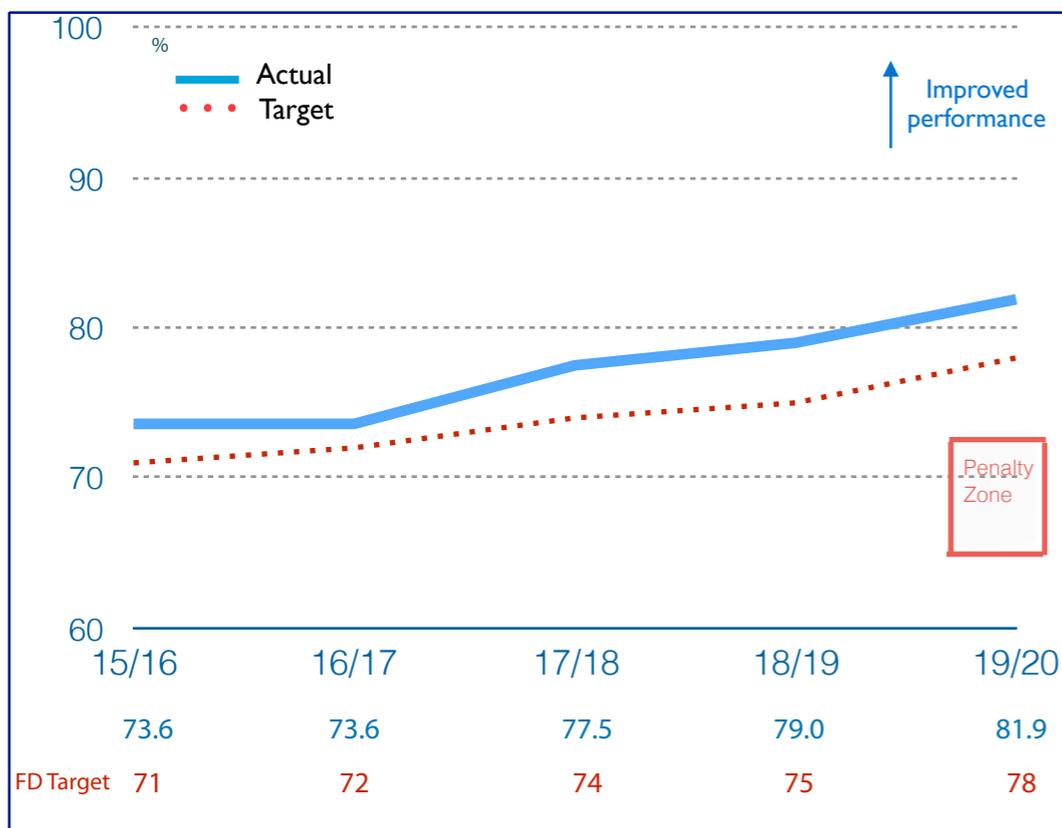
Similar measures have been implemented for the new Price Review (PR19) starting in 2020/21. We have performance commitments (reference Ft6 and Ff7) called Asset resilience-Water network plus above ground and Water network plus below ground.



2.5 – MOS F3 Asset Resilience – WasteWater

Applicable to Price Control: WHOLESAL WASTE WATER

OFWAT MOS Penalty



Summary

Performance:

The score for the resilience of wastewater assets is 81.9% and is ahead of the target for the year which was 78%.

This performance is based upon the list of critical assets included in our PR14 Business Plan which informed the 2014 FD.

In addition we monitor and report internally on the updated list of critical assets, recognising that new and improved data is available to inform the definition of a critical asset. The internally reported performance is 83.2% as against 81.0% last year.

Comparative information for this measure is not available.

Customer Compensation

Our performance on this measure has not led us to making any direct payments of compensation to customers in the financial year 2019/20.

Definition:

The percentage of critical assets that are resilient against a set of criteria. Critical assets are those where failure would have a major impact on service to customers or on the environment.

The list of critical assets is determined by reference to an agreed set of criteria. A resilience scorecard is used to assess critical assets against criteria designed to measure resilience against the following:

- Security and Emergency Measures Directive (SEMD) risk;
- Flood Risk;
- Coastal Erosion Risk;
- Loss of Power Risk;
- Loss of Remote Control ability
- Loss of any part of the treatment process;
- Loss of water or wastewater supply capacity; or
- Loss of access to the asset.

Looking Forward:

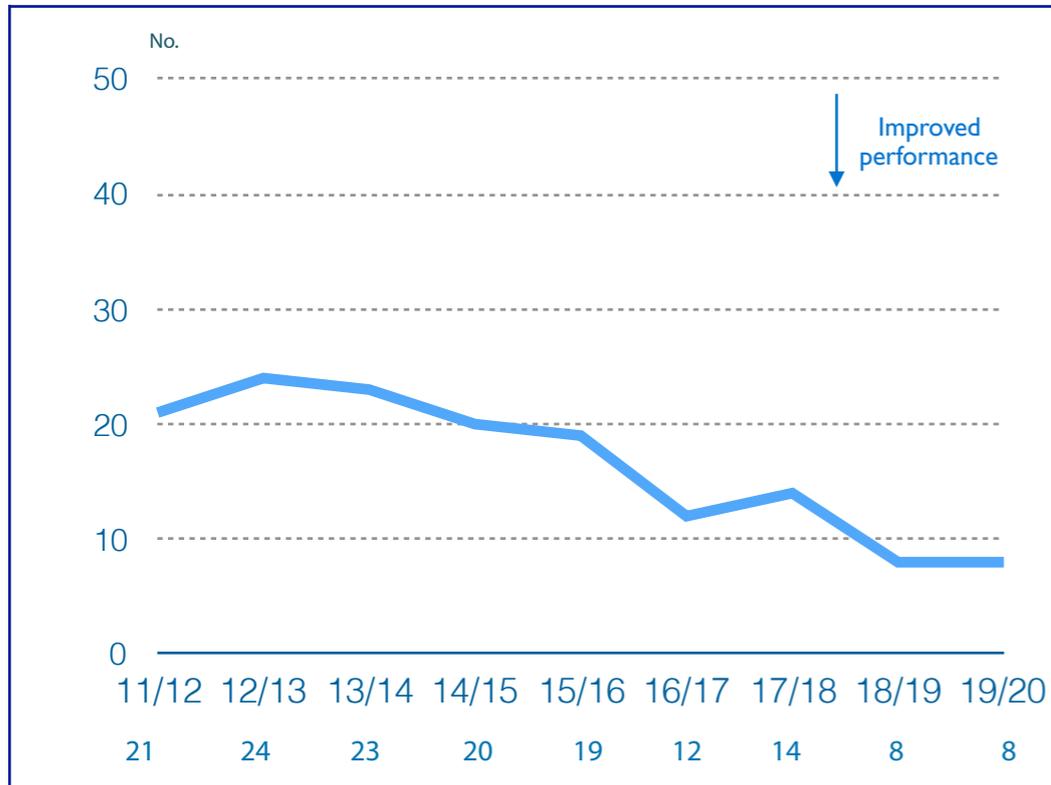
We have been working to progress delivery of the Resilience Action Plan that we published in August 2019. Our first set of deliverables are due in 2020/21 and we are on track to meet the dates that we committed to.

Similar measures have been implemented for the new Price Review (PR19) starting in 2020/21. We have performance commitments (reference Ft8 and Ff9) called Asset resilience-Waste network plus above ground and Asset resilience - Waste network plus below ground.



2.5 - G1 Health and Safety - RIDDOR

Key Performance Indicator



Summary Performance: The number of RIDDOR incidents in the year was 8, the same as in 2018/19 which was our best ever performance.

The analysis of the number of RIDDOR incidents against other companies is not a good comparator, as the number of colleagues will vary and not all employers include within their reported figures incidents involving colleagues of contractor organisations.

Customer Compensation Not Applicable.

Definition: This is the total number of injuries reported each year to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013. (RIDDOR)

It includes injuries that occur across the wholesale and retail businesses as well as those involving our main contractors and capital partners.

This measure is reported on a financial year basis.

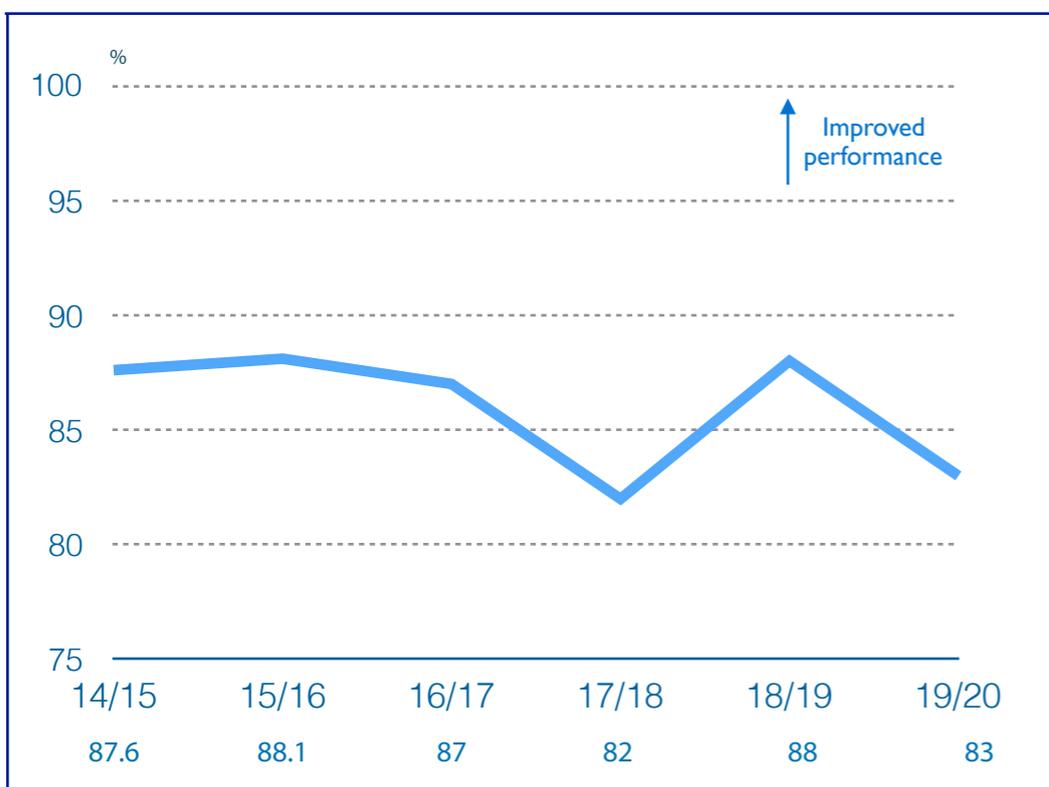
Looking Forward: A similar measure has been implemented for the next price review (PR19), starting in 2020/21. This PR19 performance commitment is Co1 Reportable Injuries.

Index	Introduction	Performance Measures	Ofwat Summary Performance	Assurance	Appendix
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2.5 - G2 Competence for Role

Key Performance Indicator



Summary Performance: Our performance of 83% this year is lower than last year's figure of 88% which has been affected by a number of training courses having to be postponed in March 2020 due to the COVID-19 pandemic.

As there will always be turnover of colleagues, we assess the optimal figure for colleague competence as being 95% at any one time.

Customer Compensation: Not Applicable.

Definition: We have a "Knowledge and skills framework" and have established clear role profiles that define key criteria which we can now use to assess and measure individuals' knowledge, skills and competence to undertake their respective roles.

Our objective is that by 2020 (and beyond) 95% of colleagues performing the outlined key roles will be deemed competent (with the remainder being new starters in training or colleagues on long term absence from their role, for example seconded to another role, on maternity leave or long term sickness etc).

This is in respect of the wholesale business only and the inclusion of the retail business in this measure is under review.

This measure is reported on a financial year basis.

Looking Forward: A similar measure has been implemented for the next price review (PR19), starting in 2020/21. This PR19 performance commitment is Co2 Employee training and expertise.



2.5 - H2 Financing Efficiency

Key Performance Indicator

As at 31 March 2020

H2 Financing	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Actual	A/A3/A	A/A3/A	A/A2/A	A/A2/A	A Neg/A2 Neg/A	A-/A3/A

S&P / Moody's / Fitch

Summary Performance: At year end (31 March 2020) we were rated A-/A3/A by S&P, Moody's and Fitch and are the highest rated water company in the sector.

These ratings were updated in January and February 2020 following the outcome of the price review.

Customer Compensation Not Applicable.

Definition: The rating ascribed by the three main rating agencies, S&P, Moody's and Fitch.

Looking Forward: A similar measure has been implemented for the next price review (PR19), starting in 2020/21. This PR19 performance commitment is BI5 Financial resilience. This is based on our credit rating for senior bonds, given by the three main credit reference agencies: Moody's, Standard & Poor's (S&P) and Fitch.

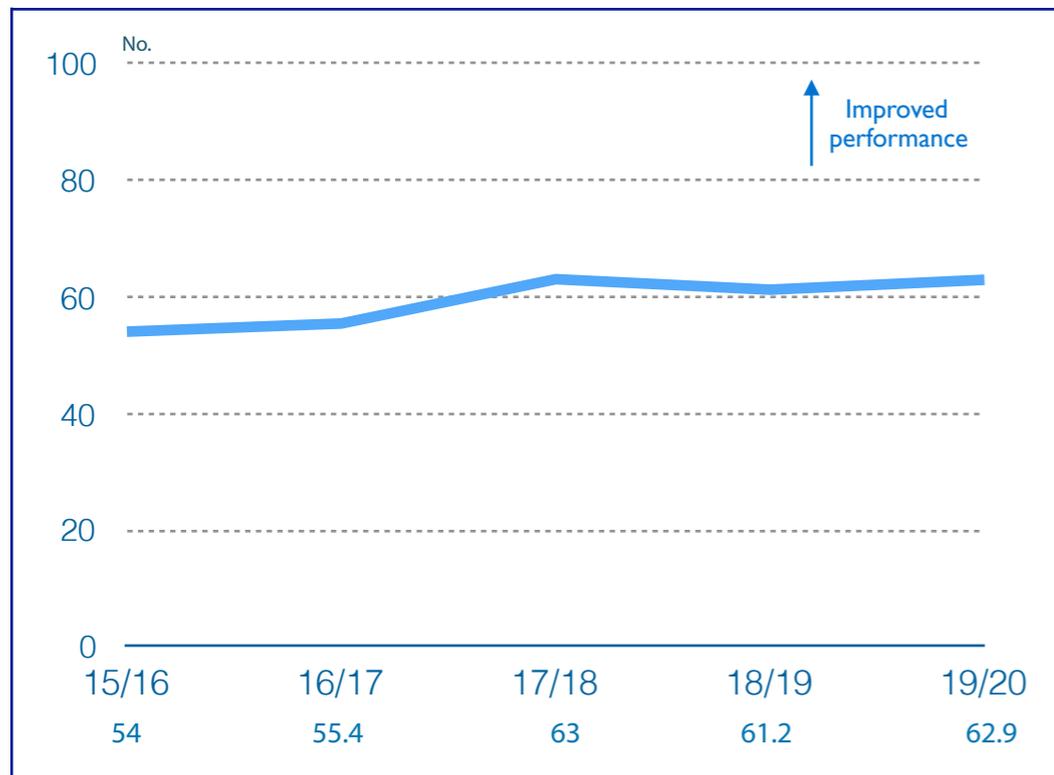
Company	Standard & Poor's	Moody's	Fitch
Anglian	A - Neg	A3 Neg	A-
DCWW	A-	A3	A
Northumbrian	BBB+ Neg	Baa1 Neg	Not Rated
Severn Trent	BBB+	Baa1	Not Rated
Southern	BBB+	Baa3	BBB+
South West	Not Rated	Not Rated	Not Rated
Thames	BBB+	Baa1	Not Rated
United Utilities	BBB+	A3	A-
Wessex	BBB	Baa1	BBB+
Yorkshire	A-	Baa2 Neg	A

Source: Bloomberg as of 27 April 2020
 Note: Rating of senior bonds only.



2.5 - Net Promoter Score (NPS)

Key Performance Indicator

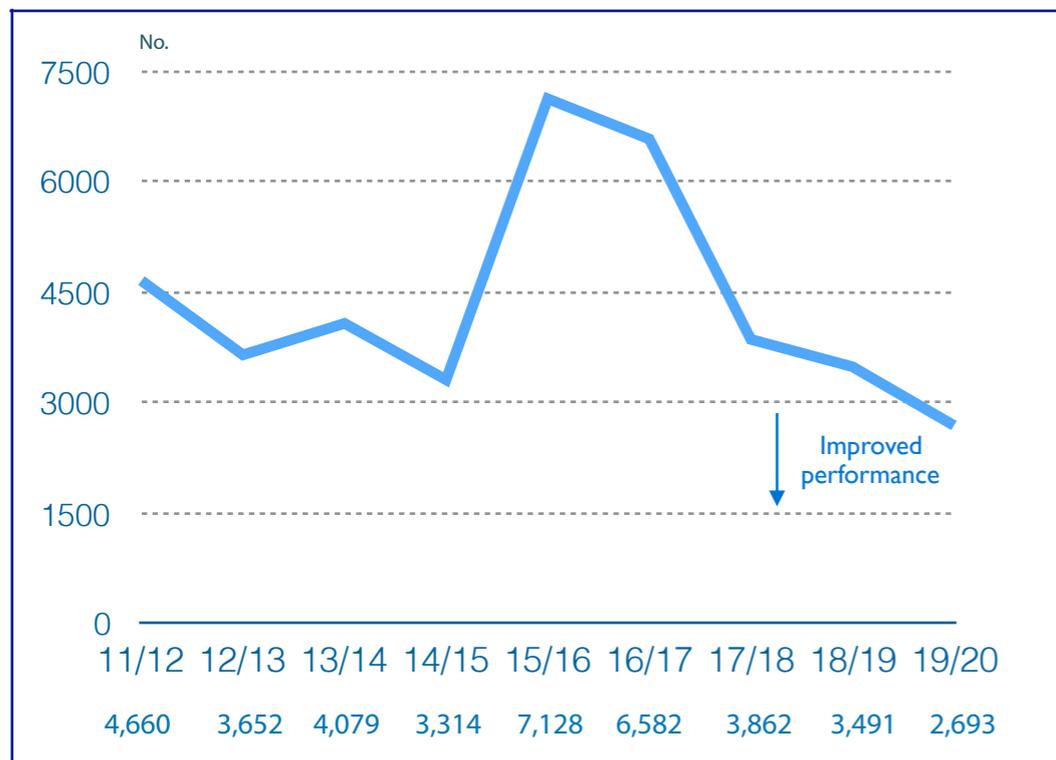


Summary Performance:	The Net Promoter Score has increased slightly from 61.2 in 2018/19 to 62.9 in 2019/20. Comparator NPS data for other water companies is not currently available.
Customer Compensation	Not Applicable.
Definition:	The NPS calculation is based on the assumption that customers can be divided into three categories: “Promoters”; “Passives”; “Detractors”. The NPS is calculated from the percentage of promoters (i.e. those scoring 9 and 10) minus the percentage of detractors (0-6). The question answered is as follows: <i>“Based on your experience with us, how likely are you to recommend us to family and friends, Where 0 = very unlikely, 10 = very likely”.</i> Customers are asked to go online to complete a survey that leads to the NPS. This measure is reported on a financial year basis.

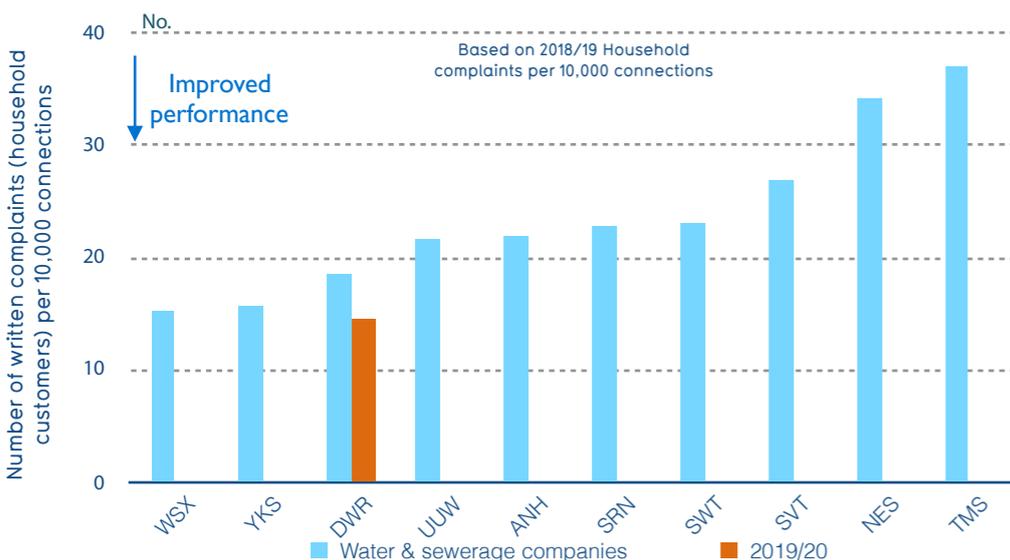


2.5 - Written Complaints

Key Performance Indicator



Summary Performance:	The number of complaints received decreased during the year to 2,693 (3,491 last year).
Customer Compensation:	See measure on D1 (SIM) on page 20.
Definition:	The number of written complaints (stage 1 & stage 2 (escalated) complaints). Written complaints include those made by letter, fax and e-mail and comments written on a piece of company correspondence, for example a bill. This measure is reported on a financial year basis.
Looking Forward:	A similar measure has been implemented for the new Price Review (PR19) starting in 2020/21. We have a performance commitment (reference Rt4) called Total complaints.

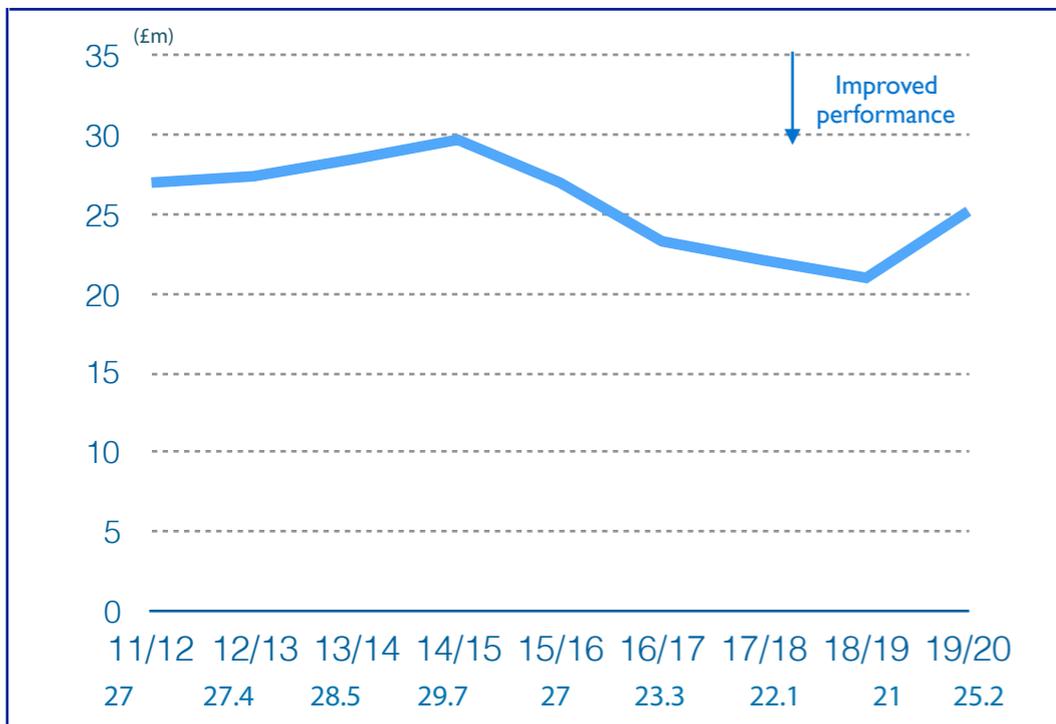


Note: The Industry comparison graph shows data for ten water and sewerage companies; Written complaints on the wastewater business would not be applicable to water only companies and are not shown in the comparison. Further details are available on the Discover Water website, which includes all companies.



2.5 - Bad Debt

Key Performance Indicator

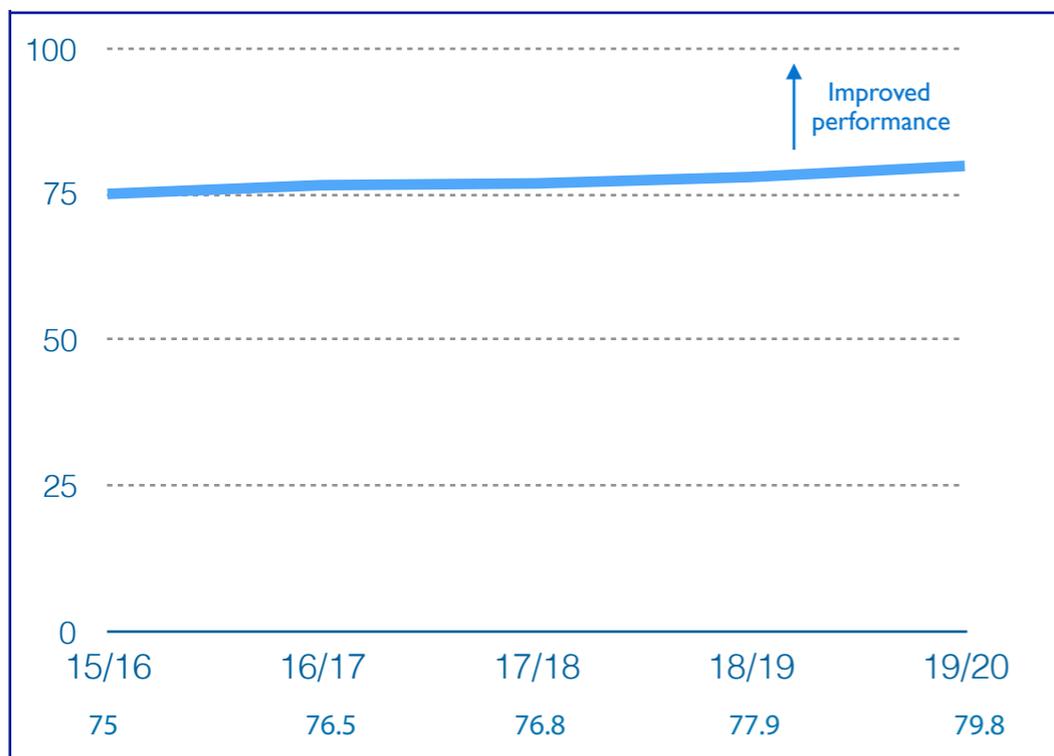


Summary Performance:	The Bad Debt charge for the year ended 31 March 2020 totalled £25.2m (2018/19: £21m).
Customer Compensation	Not applicable.
Definition:	The charge for bad and doubtful debts for all types of customers. It includes the bad debt element of third party collection charges. This measure is reported on a financial year basis.
Looking Forward:	A similar measure has been implemented for the next Price Review period (PR19) starting in 2020/21. We have a performance commitment B13 Company level of bad debt.



2.5 - UKCSI Satisfaction Score

Key Performance Indicator



Summary Performance: Generally, there are two UK Customer Satisfaction Index (UKCSI) surveys undertaken in a year (published in January and July). They cover a number of sectors and measure customer satisfaction of their individual experiences with companies within the particular sector.

Our performance over the last year has improved with a score of 79.8 (77.9 last year). The respective scores were 79.2 (in July 2019) and 80.4 (in January 2019).

Our overall score has now placed us in the top 50 companies in the UK, the first time a water company has ever achieved this feat.

Customer Compensation: Not applicable.

Definition: UKCSI survey a sample of 10,000 consumers in the UK twice per year, with reports published in January and July. Consumers are asked a range of questions relating to all companies in the survey (UKCSI members) that they have had an interaction within the past 3 months. A minimum of 35 respondents must be achieved to appear in the UKCSI report and the score published is an average of the past two surveys. This gives us a direct comparison against other companies both within the Utility sector and across a range of other sectors (Retail, Manufacturing, Healthcare etc), but it should be noted that the company sample size may be very small.

We have no influence with the methodology for this measure to address the number of respondents who participate in the survey.

This measure is reported on a financial year basis.

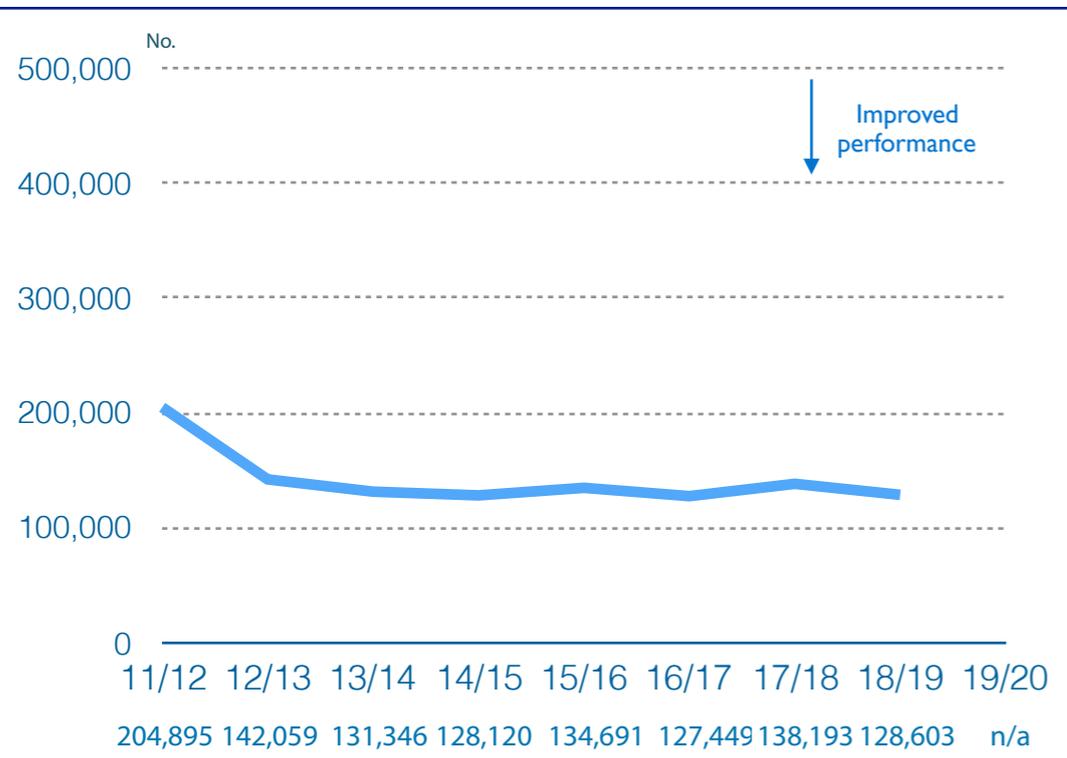
Organisation ranking by UKCSI score





2.5 - Unwanted calls

Key Performance Indicator

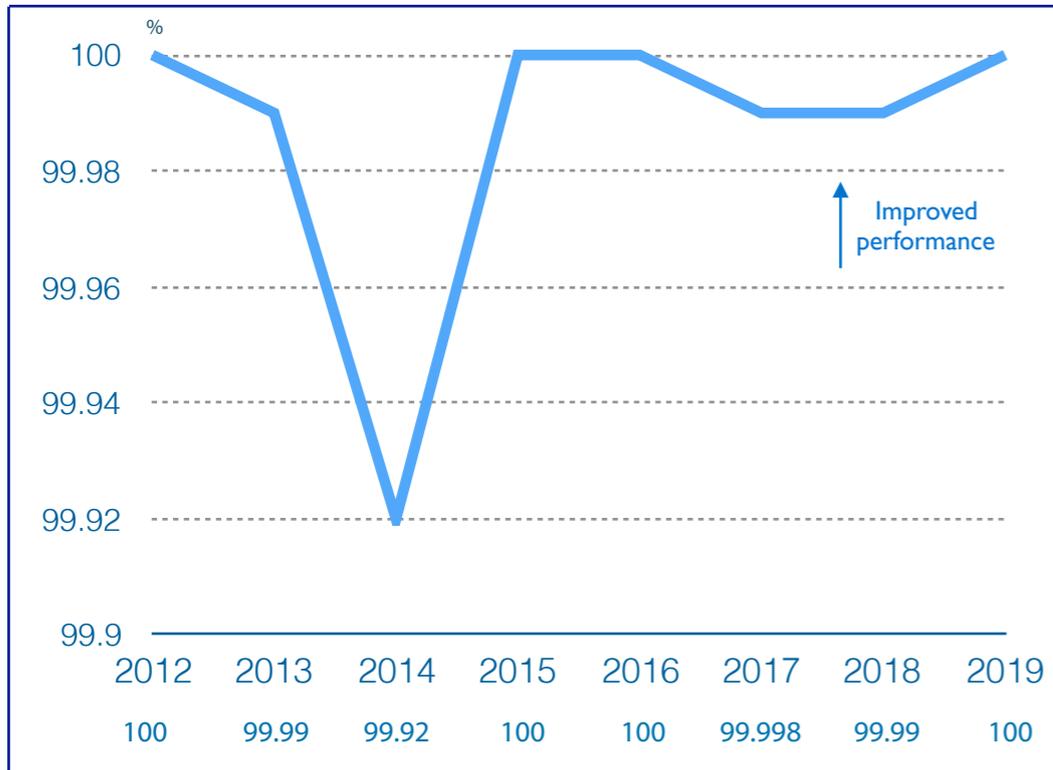


Summary Performance:	Unwanted contacts were previously included in the calculation of the SIM score. Since 1 April 2019, SIM has not operated as Ofwat replaced with a shadow year for C-MeX, see page 46 for more information on C-MeX. Comparative information on this measure is not available.
Customer Compensation	Not Applicable.
Definition:	We receive a variety of types of telephone contact. From a customer perspective, some of these can be regarded as “wanted”, for example when the caller wants to pay their bill or is providing or seeking information. Others can be defined as “unwanted”. These are where the customer has experienced some form of service failure and this has prompted them to make contact with us. The volume of unwanted calls from household customers contribute to the overall SIM. This measure is reported on a financial year basis.



2.5 - Process Control Index

Key Performance Indicator

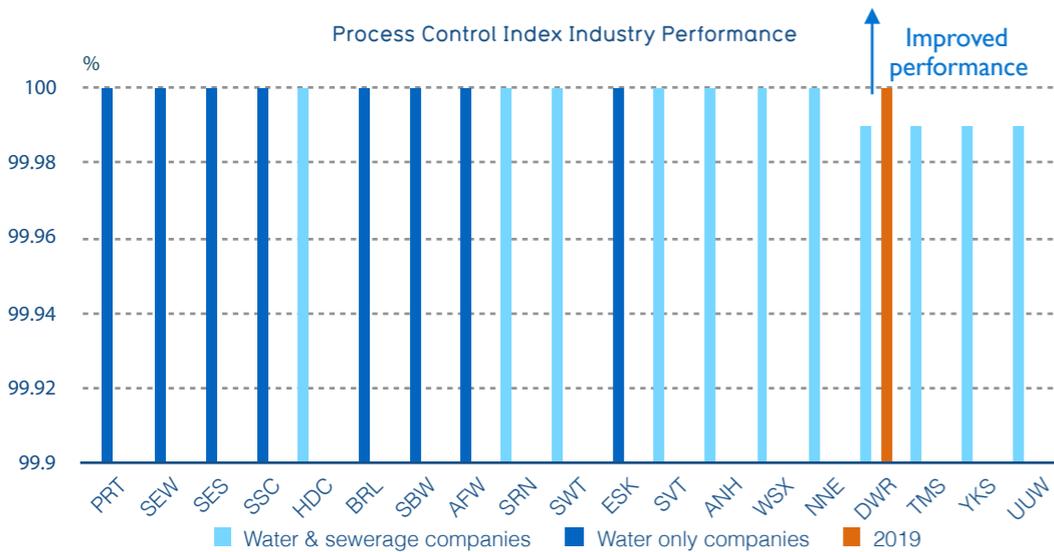


Summary Performance: Performance against the measure was 100%, 9,240 tests were taken, and all of these achieved the required standard. In 2018 there was one sample failure out of 11,751 tests.

Customer Compensation: See measure on A1b (MZC) on page 11.

Definition: The Process Control Index is based on a selection of parameters which are, in general terms, controlled by the process in place at Water Treatment Works.

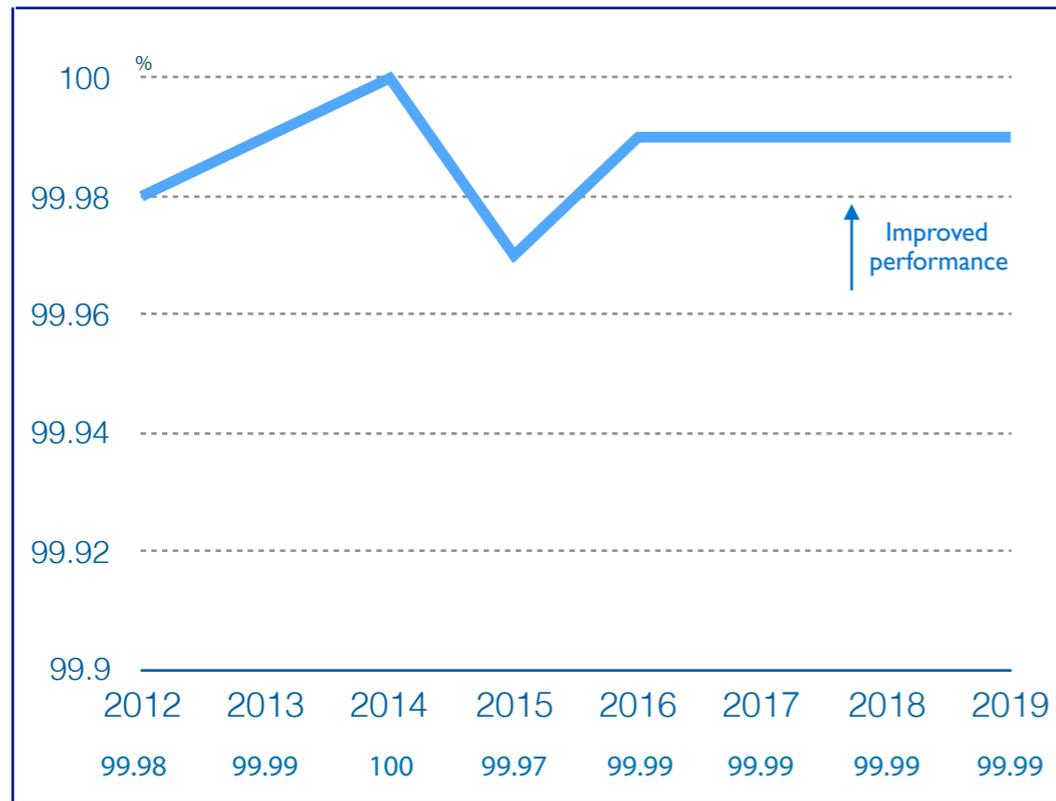
This measure is reported on a calendar year basis.





2.5 - Disinfection Index

Key Performance Indicator

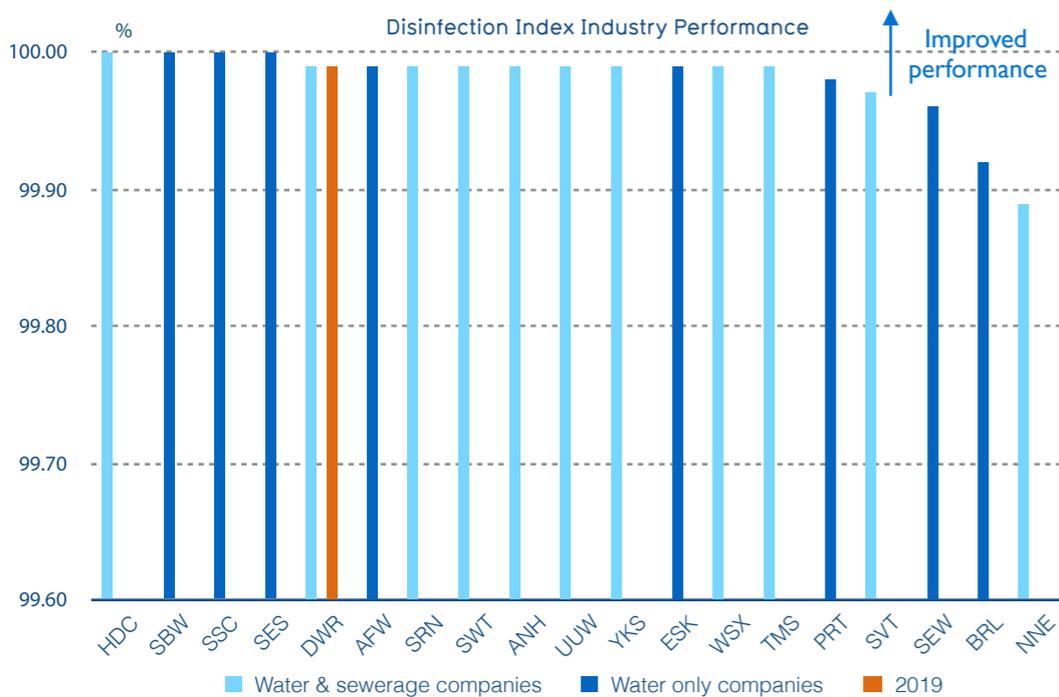


Summary Performance: Performance against the measure was 99.99% of tests meeting the required standard. There were 33,244 tests with two test failures. Last year's performance was 99.99%, there were 31,931 tests with three test failures.

Customer Compensation: Not Applicable.

Definition: The Disinfection Index is based on a selection of parameters which explain the effectiveness of disinfection and pathogen removal. It is calculated by taking the average of Mean Zonal Compliance figures for coliform, E.coli and turbidity and measuring it against all test undertaken at works.

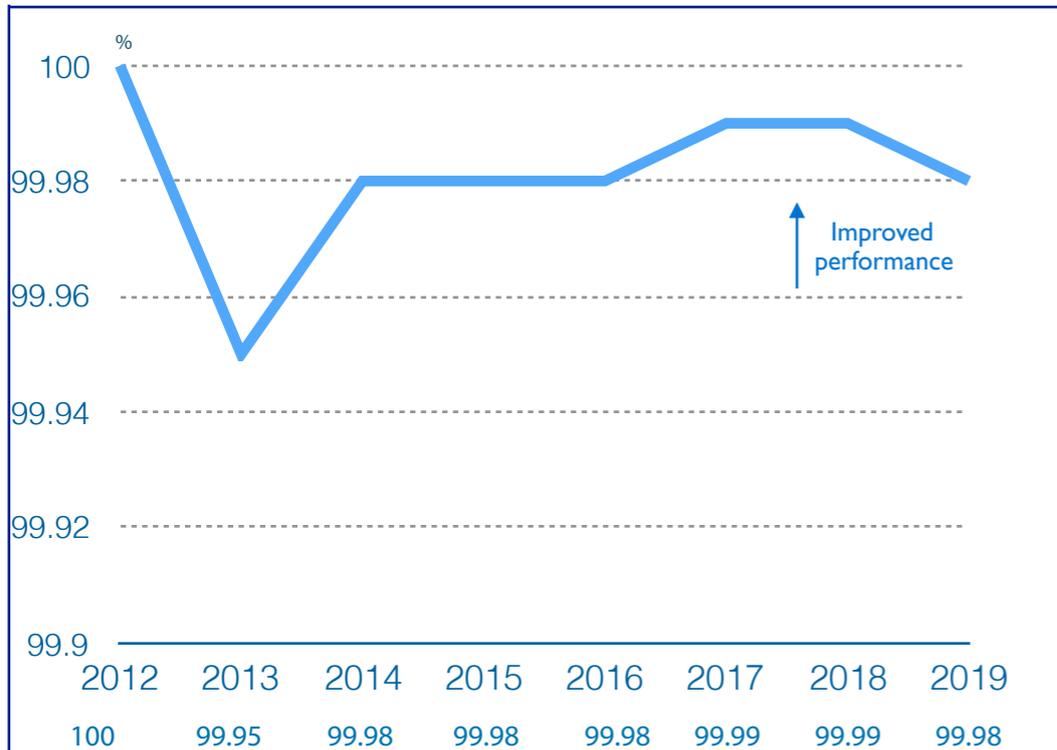
This measure is reported on a calendar year basis.



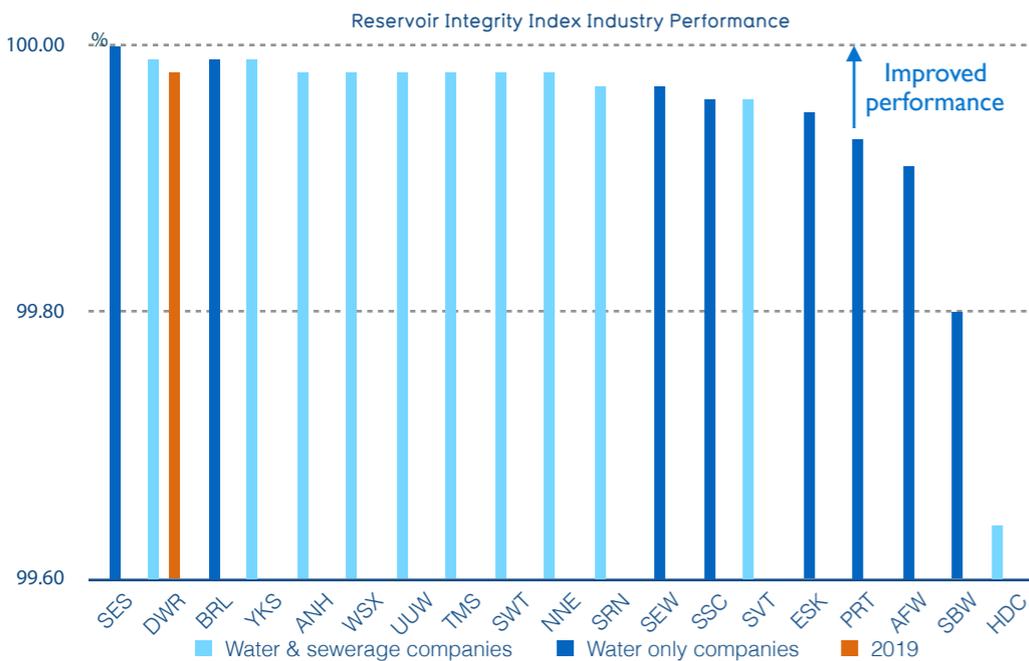


2.5 - Reservoir Integrity Index

Key Performance Indicator



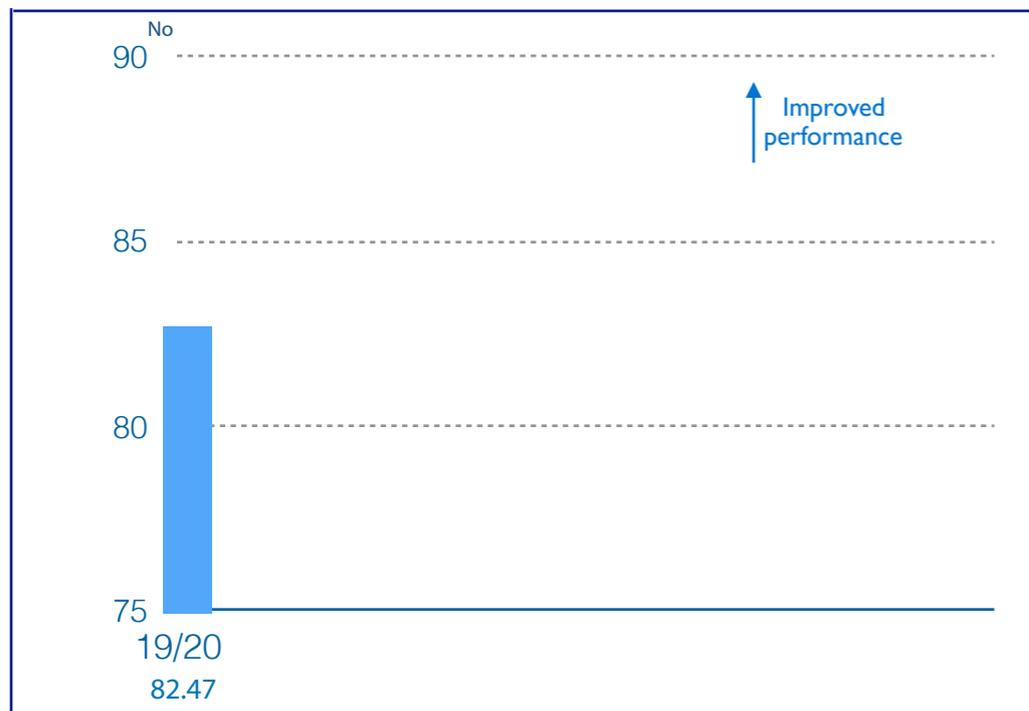
Summary Performance:	Performance against the measure is 99.98%. There were 34,326 tests performed during the year, and there were five failures at four sites. Last year there were three failures at three sites.
Customer Compensation:	Not Applicable.
Definition:	Reservoir integrity index is microbiological sampling that takes place at Service Reservoirs (SRVs) as a check on their integrity and general hygienic status. It is calculated by taking the average Mean Zonal Compliance figures for coliforms and E.coli at SRVs. This measure is reported on a calendar year basis.



Source: Drinking Water Inspectorate - Annual Reports 2018



2.5 - MOS C-MeX



Summary Performance: During 2019/20 Ofwat operated C-MeX as a shadow year (i.e. financial rewards and penalties do not apply). During this shadow year our score was 82.47 and we came in top position out of all the water companies.

Customer Compensation: Not Applicable.

Definition: The customer measure of experience (C-MeX) is a measure of customer satisfaction for residential customers, introduced by Ofwat as a common measure for all water companies. The purpose of this measure is to incentivise companies to improve their handling of contacts and complaints. During 2019/20 C-MeX was introduced as a shadow measure and from 2020/21 financial rewards and penalties will apply.

The overall C-MeX score is based on two elements:

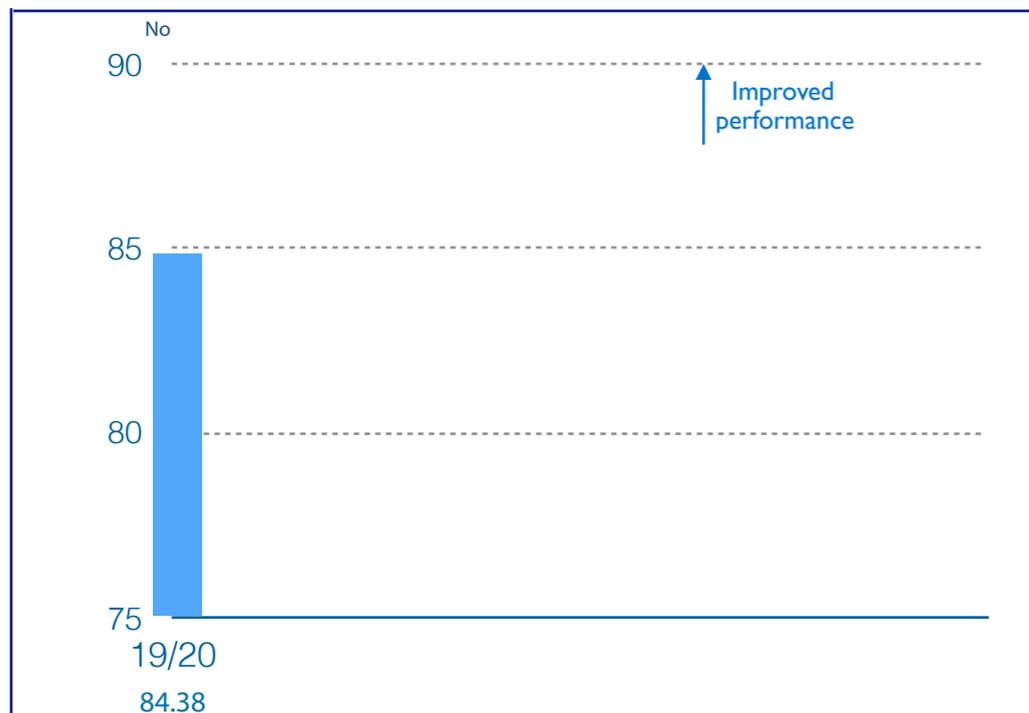
- A 'contact survey' - customer satisfaction survey of customers who have contacted us (this includes all direct customer contact), Interactions via the website counts as a contact.
- A 'non-contact survey' - customer experience satisfaction survey of customers selected at random from all out customers (which may include those who have contacted us).

The survey results which are used to calculate the C-MeX will be supplied by a market research company appointed by Ofwat. The overall C-MeX score is based on equal weighting for both surveys, (i.e. the average contact surveys scores and non contact survey scores each account for 50% of the overall score).

Looking Forward: This measure is being implemented for the next Price Review period (PR19) as a performance commitment starting in 2020/21. The PR19 performance commitment is Sv1 C-MeX.



2.5 - MOS D-MeX



Summary Performance:	During 2019/20 Ofwat operated D-MeX as a shadow year (i.e. financial rewards and penalties do not apply). During this shadow year our score was 84.38. This is made up of a qualitative score of 69.06 and the quantitative score of 99.70.
Customer Compensation	Not Applicable.
Definition:	<p>Developer Services Measure of Experience (D-MeX) is a measure of customer satisfaction. A company's overall D-MeX score is calculated from two components that contribute equally;</p> <ol style="list-style-type: none"> 1. Qualitative D-MeX score is based on the ratings provided by developer service customers who transact with the company throughout the reporting year to a customer satisfaction survey; and 2. Quantitative D-MeX is based on the company's performance against a selection of Water UK performance metrics throughout the reporting year. <p>The survey results which are used to calculate the qualitative component of the company's D-MeX score will be supplied by a survey agent appointed by Ofwat. The company's annual qualitative score will be an average of the quarterly score that are available from the shadow year (2019-20).</p> <p>The set of Water UK performance metrics which have been used to calculate the quantitative component of the company's D-MeX score, are a selection of measures referenced as part of Water UK Levels of Service within the Reporting Guidelines for SIM Proxy and C-MeX and D-MeX in 2019-20, published by Ofwat in April 2020.</p>
Looking Forward:	This measure has been implemented for the next price review (PR19) starting in 2020-21. This performance commitment is Sv2 D-MeX.



3. Ofwat Summary Performance

Ofwat PR14 Outcome Performance Commitment and Outcome Delivery Incentive Base Data (Table 3A)

Wholesale Water	2018-19 Performance level - actual	2019-20 Performance level - actual	2019-20 PCL* met?	2019-20 Outperformance payment or Underperformance payment - ODIs payable at the end of AMP6 (Indicator)	2019-20—Outperformance payment or underperformance payment - ODIs payable at the end of AMP6 (£mi to 4 dp)
A1b Safety of Drinking Water	99.97	99.94	No	Underperformance payment	-2.5000
A2 Customer Acceptability	3.28	2.80	No	Underperformance payment	-1.8600
A3 Reliability of Supply	16.0	14.7	No	Underperformance payment	-0.5265
B1 Water Abstractions	100	100	Yes		
C2 Carbon Footprint (Water)	32.59	45.25	Yes		
D1 Service Incentive Mechanism	86.88	84.90	-		
D2 'At Risk' Customer Service	641	613	No		
D5 Earning the Trust of Customers	85	87	Yes		
E1 Affordable Bills	-2%	-4%	Yes		
F1 Asset Serviceability	Stable	Stable	Yes		
F2 Leakage	170	168	Yes		
F3 Asset Resilience (Water)	90	90	Yes		

* PCL - Performance Committed Level



3. Ofwat Summary Performance

Ofwat PR14 Outcome Performance Commitment and Outcome Delivery Incentive Base Data (Table 3A)

Wholesale Waste Water	2018-19 Performance level - actual	2019-20 Performance level - actual	2019-20 PCL* met?	2019-20 Outperformance payment or Underperformance payment ODI's payable at the end of AMP6 (Indicator)	2019-20 Outperformance payment or underperformance payment - ODI's payable at the end of AMP6 (£mi to 4 dp)
B2 Treating used water	99.6	98.9	No		
B3 Preventing Pollution	118	120	Yes	Outperformance payment	0.5170
C1 Adapting to Climate Change	15,967	21,485	No		
C2 Carbon Footprint (Wastewater)	52.43	76.73	No		
D1 Service Incentive Mechanism	86.88	84.90	-		
D2 'At Risk' Customer Service	641	613	No		
D3 Properties flooded within the year	221	216	Yes	Outperformance payment	1.1780
D5 Earning the Trust of Customers	85	87	Yes		
E1 Affordable Bills	-2%	-4%	Yes		
F1 Asset Serviceability	Stable	Stable	Yes		
F3 Asset Resilience (Wastewater)	79	82	Yes		

* PCL - Performance Committed Level



3. Ofwat Summary Performance

Ofwat PR14 Outcome Performance Commitment and Outcome Delivery Incentive Base Data (Table 3A)

	2018-19 Performance level - actual	2019-20 Performance level - actual	2019-20 PCL* met?	2019-20 Outperformance payment or Underperformance payment ODIs payable at the end of AMP6 (Indicator)	2019-20 Outperformance payment or underperformance payment - ODI's payable at the end of AMP6 (£mi to 4 dp)
Household Retail					
D1 Service Incentive Mechanism	86.88	84.90	-		
D5 Earning the Trust of Customers	85	87	Yes		
E1 Affordable Bills	-2%	-4%	Yes		
E2 Help for Disadvantaged Customers	120,783	129,148	Yes		
Non-Household Retail					
D1 Service Incentive Mechanism	559**	382**	-		
D4 Business Customer Satisfaction	88	88	No		
D5 Earning the Trust of Customers	85	87	Yes		
E1 Affordable Bills	1%	-10%	Yes		

* PCL - Performance Committed Level

** This is the number of non-household complaints received and not the overall SIM score, (as was reported in 2017-18 and 2018-19).



3B. Sub Measure Performance Table

PC/Sub-measure	Unit	Decimal Places	2018-19 Performance level - actual	2019-20 Performance level - actual	2019-20 PCL* met?
F1: Asset Serviceability - Water	category	na	Stable	Stable	Yes
Total Bursts	nr	0	4270	3848	Yes
Interruptions >12h	nr	0	4446	4536	No
Iron Non-Compliance (as 100 Mean Zonal Compliance)	%	2	0.34	0.54	No
DG2 Pressure	nr	0	103	95	Yes
Customer Contacts - Discolouration	nr	2	2.35	1.88	Yes
Distribution Index TIM (as 100 Mean Zonal Compliance)	%	2	99.87	99.81	Yes
Water Treatment Works Coliforms Non-Compliance	%	2	0.03	0.01	Yes
Service Reservoir Coliforms Non-Compliance	%	2	0.30	0.00	Yes
Turbidity	nr	0	0	0	Yes
Enforcement	nr	0	0	0	Yes
Unplanned Maintenance	nr	0	12293	11812	No

* PCL - Performance Committed Level



3B. Sub Measure Performance Table

PC/sub-measure	Unit	Decimal Places	2018-19 Performance level - actual	2019-20 Performance level - actual	2019-20 PCL* met?
F1: Asset Serviceability Wastewater	category	na	Stable	Stable	Yes
Sewer Collapses	nr	0	659	670	Yes
Pollution Incidents Category 1,2, & 3	nr	0	73	69	Yes
Properties Flooded due to Other Causes	nr	0	212	174	Yes
Properties Flooded due to Overload Sewers - ex severe weather	nr	0	9	42	Yes
Sewer Blockages	nr	0	21979	19670	Yes
Equipment Failures	nr	0	54	32	Yes
Sewage Treatment Works (STW) Non-Compliance	%	2	0.36	0.89	Yes
Population Equivalent (PE) Non-Compliance	%	2	0.00	0.00	Yes
Unplanned Maintenance	nr	0	37280	36143	No

* PCL - Performance Committed Level



3D. SIM Table

Qualitative Performance	Units	Decimal places	Score
1st Survey Score	nr	2	4.37
2nd Survey Score	nr	2	4.57
3rd Survey Score	nr	2	4.36
4th Survey Score	nr	2	4.53
Qualitative SIM Score (out of 75)	nr	2	64.83
Total Contact Score	nr	2	14.78
Quantitative SIM Score (out of 25)	nr	2	20.07
Total Annual SIM Score (out of 100)	nr	2	84.90



4. Assurance

Assurance - The process adopted in preparing this report

The company has established appropriate processes and systems of control that provide the necessary assurance in respect of the information contained within and underpinning this report. The following paragraphs summarise the processes and systems of control in place.

Policies and Procedures

- Key processes and systems of control are documented and the quality of systems used for generating regulatory information are continually assessed. These processes have been followed to produce this Part 3 of the Annual Performance Report. Although we are no longer required to produce a June Return, we have used the same processes as in previous years and retained the concept of 'data ownership'.
- Methodology Statements are in place for key measures reported in this part of the Annual Performance Report and these have been subjected to internal review within the year and assessment by the Reporter in previous years.
- As part of targeted due diligence, each Dŵr Cymru data owner was required to confirm that they had completed the relevant table in accordance with the relevant Methodology Statement. Any changes to the procedures are kept up to date and are published on the Dŵr Cymru intranet, Infozone.
- We have in place a policy document which outlines the formal process to be undertaken and, inter alia, the roles and responsibilities of key people including data owners, the Regulation Department, Dŵr Cymru Executive Directors (collectively and individually), the Audit Committee and the Board.
- A 'Code of Conduct' policy document, detailing the behavioural framework required around regulatory data and whistle-blowing was issued in 2014., with an updated version issued in 2018.
- Ownership and responsibility for each relevant data item has been clearly defined. Each individual was responsible for adhering to all appropriate guidance in the compilation of the data and providing associated commentary. This also involved formal 'sign off' by the individual, verifying that the data had been obtained from a recognised data source and had been accurately compiled. In addition, confirmation was required that any material judgements or assumptions had been highlighted and documented, ensuring an accurate audit trail, with a review of confidence grades where applicable. Where material was within an individual's personal knowledge, he or she was required to confirm that it was true or, where it was not within their personal knowledge, that appropriate enquiry had been made.
- Allocation of overall responsibility for individual data items and associated commentaries was assigned to the appropriate member of the Dŵr Cymru Executive Directors. Each was responsible for the review and 'sign off' of their own data items.
- A large proportion of the data processing is covered by our Internal Management System which has accreditation to various ISO standards.

Implementation and Internal Review

- Production of 'data item packs' by the Regulation Department ensured that all data owners had a single point of reference for all information necessary to undertake their specific responsibilities. These 'packs' included guidance on how to process the relevant data and populate tables, information on confidence grades and details of where to locate previous Reporter's reports. Methodology statements and training material were also included.
- All of the information included within the data packs (described above) was made available on the Infozone.
- Training sessions for data owners were held in February and March 2020, where the processes were fully explained, the importance of regulatory data being reliable and accurate highlighted.
- Regular communication between the Regulation Department and all data owners was undertaken prior to and during the preparation of this report.
- There was regular reporting of key performance indicators to the Board, the Quality and Environment Committee (QEC) and the Dŵr Cymru Executive Directors throughout the year.



Assurance - (continued)

- A rigorous process of internal due diligence meetings was undertaken by the Regulation Department between the 2 March 2020 and the 15 May 2020 to challenge information, judgements and assumptions made and to ensure compliance with the relevant guidance.
- A review was undertaken by the Regulation team to ensure consistency between the Annual Performance Report and the individual data items and the relevant commentaries.
- The 'sign off' forms were endorsed by each data owner, the Leadership Team members (where relevant) and the responsible member of the Dŵr Cymru Executive Directors before the publication of the Annual Performance Report.
- A management review meeting of non-financial measures reported in the Annual Performance Report, involving the Dŵr Cymru Executive Directors, took place on 26 May 2020. This was also attended by the Reporter, a Business Assurance team member and data owners, where relevant. For each measure, a summary containing current year's performance, historical performance and data owner and reporter issues was produced and formed the basis of the discussions. Material issues were highlighted and discussed.
- A 'Code of Conduct' policy document, detailing the behavioural framework required around regulatory data and whistle-blowing was issued in 2014, with an updated version issued in 2018.

External Review and Board Engagement

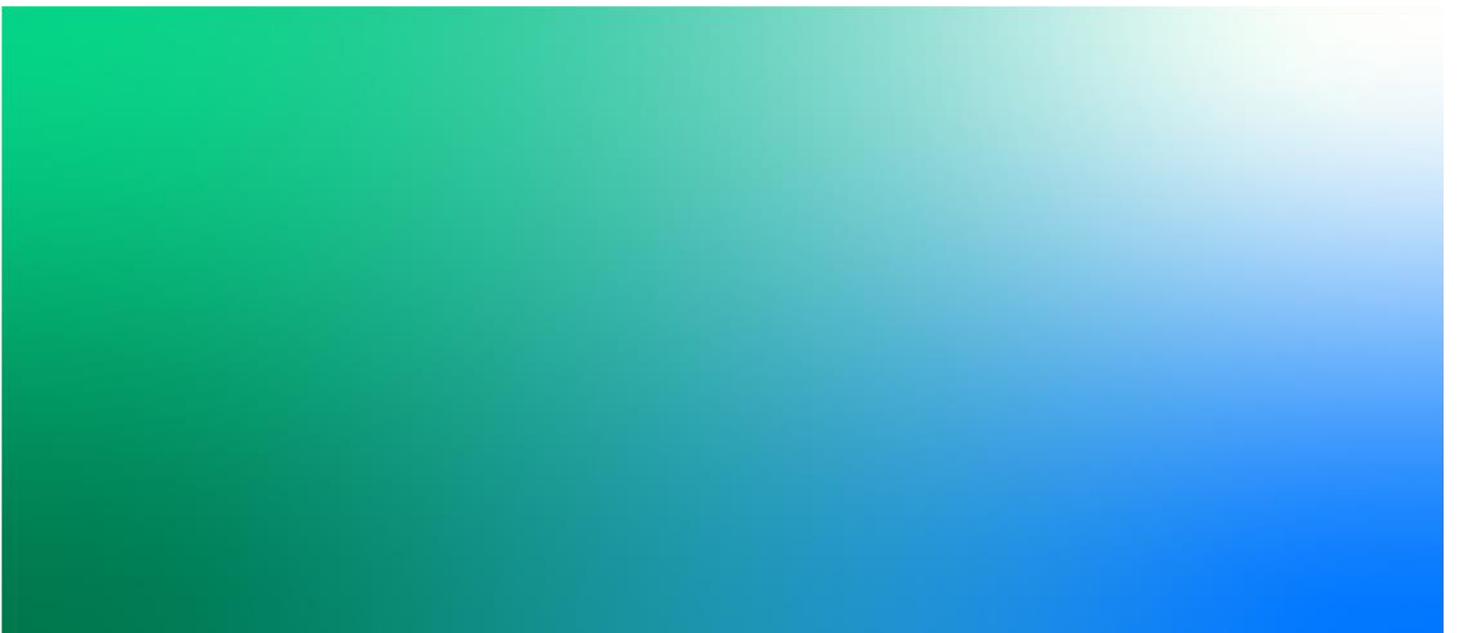
- The Reporter carried out a formal review and certification of all non-financial measures and provided a detailed report commenting on compliance with reporting requirements and highlighted any issues with the reported figures.
- The Director of Strategy and Regulation reviewed and approved publication of the Final Assurance Plan, which was published in March 2020.
- The Audit Committee received papers to meetings on 30 January 2020 detailing the processes in place. Further progress updates were provided to the Audit Committee on 3 June 2020.
- As part of the external review of data, the Reporter also reviewed performance against the PR14 Final Determination Outcomes and Measures of Success. The Reporter also attended the Dŵr Cymru Executive Directors meeting on the 26 May 2020, the Audit Committee meeting on the 3 June 2020 (where they provided verbal updates) and the Board meeting on 2 July 2020.
- A high level audit and evaluation of the systems in place within Dŵr Cymru was also undertaken by the Business Assurance team department. This took place during April and May 2020 and the report concluded that generally, there is a sound system of internal control and broadly there is operational compliance with those controls, with an overall rating of "Satisfactory Assurance".
- The Board meeting on 2 July 2020 reviewed the overall process, the operation of the systems of internal and external controls and reviewed the key judgements required in compiling the Annual Performance Report.
- Some of our key stakeholders (e.g. Natural Resources Wales, the Drinking Water Inspectorate and CCWater) also carry out audits and scrutiny of our data.



Non-financial assurance framework
Annual Performance Report 2019-20 Letter of Assurance

FINAL
16 June 2020

Dŵr Cymru Welsh Water



Letter of Assurance

For the attention of The Board, Dŵr Cymru Welsh Water

Annual Performance Report 2019-20

To the Board

For the period 2015-20 (AMP6) Ofwat requires companies to complete an Annual Performance Report (APR). Through IN 20/03 in April 2020, Ofwat carried forward existing reporting guidance with only minor adjustments to specific measure (e.g. new requirement to report three years performance for Leakage and PCC common Performance Commitments (PCs)).

As your technical assurance partner, you asked us to undertake a risk-based review of the following:

- **Measures of Success (MoS)** – We reviewed the 2019-20 full year reported performance for the MoS set out in your Final Determination (FD). We also reviewed your internal key performance indicators (KPIs) that do not form part of your FD, your Guaranteed Standards Scheme (GSS) payments and information provided to Discover Water and CCWater.
- **APR section 4 additional regulatory information** – We reviewed the 2019-20 data your teams proposed to report in Section 4 of the APR. Where available we checked consistency of your teams' internal commentaries with the data we saw and checked whether they contained any obviously misleading or false statements.

In addition to the annual activities summarised above, we also completed a review of:

- common PC shadow reporting;
- the process and controls used to produce your Risk and Compliance statement;
- the Bioresources market information submission tables; and
- the PR14 reconciliation.

As requested for these four areas we have provided our observations in separate letters.

We note you did not ask us to review any reporting documentation or processes (stages 1-2 of our 3-stage approach) in relation to 2019-20 reporting but did ask us to undertake early engagement on:

- Unplanned Outage shadow measure (3S.7)
- Waste Water Non-Infra Unplanned Maintenance (F1 Serviceability MoS sub-measure)
- Number and Capacity of Pumping Stations (APR cost lines)
- Adapting to Climate Change (MoS C1)
- Number of Sewage Overflows (APR cost lines)

We provided you with a separate report regarding these measures on 18th February 2020.

Our annual reviews undertaken during March, April and May this year have all taken place remotely using Microsoft Teams video-conferencing. Although this has created some difficulties in reviewing data we have worked closely with your teams to ensure that it has not had an impact on the effectiveness of the overall assurance process.

When reviewing your performance figures, we have taken a risk-based approach (via sampling) to the completeness, reliability and accuracy of the source data that the MoS, KPI or APR Section 4 line draws on, the robustness of the reported performance figure and the appropriateness of the confidence grade the team had assigned. After each data audit we provided you with detailed feedback that explained our assessment of the risk associated with the reported performance figure including setting out any material and/or non-material actions.

For APR Section 4 we held online meetings with your teams to review proposed data for sets of lines that were produced using the same process (e.g. 4P.61-62, which cover potable mains relining and renewal). As agreed, our focus was on 2019-20 data, and we did not audit prior year figures unless stated otherwise in our audit feedback.

Overall, for the data we covered, and other than where indicated in our feedback, we consider:

- all individuals within the approval process have signed-off the data;
- data is competently sourced, processed and fit for purpose;
- data collection and reporting has not been impacted by COVID-19;
- any rewards/penalties are calculated in line with FD requirements; and
- your teams' internal commentaries were consistent with the data we saw at the time of reviewing them and did not contain any obviously false or misleading statements in relation to that data.

Observations

Our risk-based approach is designed to support your own first and second line assurance and your due diligence process. Over the time that we have been working with you this has delivered a steady improvement in the quality of reporting such that there were no outstanding material issues by the time of your APR 2019-20 submission.

At the end of our assurance work all of the MoS and APR figures for 2019-20 that we reviewed were graded A or B, indicating that there are no material weaknesses in the production of the data and that the confidence grade is appropriate. The reported data for these lines therefore presents a low or low-to-medium level of reporting risk.

However, there are five areas where we initially identified potential material data issues. Your teams worked hard to resolve these and we are able to confirm that they have satisfactorily addressed all of the material actions. We briefly discuss the issues and how you have addressed them below and further information is available in the detailed feedback for each measure/line:

Ref	Material Issue	Resolution
MoS C1	<p>Adapting to Climate Change</p> <p>This measure records the volume of water removed from the combined sewerage system in terms of "equivalent rooftops". The team were not able to provide evidence to support all of the volume claimed for this year.</p>	This issue was resolved during a re-audit on 12/06/2020.
MoS D2 (part) 4U.21	<p>Odour Complaints</p> <p>The confidence grades assigned to these lines are not appropriate for the process followed and should be reviewed.</p>	The confidence grades for these lines have been changed and are now considered to be appropriate. Resolved
4O.2-3 and 9	<p>Large Sewage Treatment Works Classification and Load Received</p> <p>Spot samples of the data used to calculate line 4O.3 indicated that some of the values covered periods outside of the reporting year and the team were not able to explain why this may be appropriate.</p>	This issue was resolved during a re-audit on 26/05/2020.
4P.20-23	<p>Number and capacity of raw water pumping stations</p> <p>We identified no issues with your reporting for 2019/20 but note that the reported numbers have changed significantly from 2018/19. We understand that this is due to a data improvement and an improved understanding of the reporting requirements. We reviewed your current reporting methodology in depth over the course of a number of meetings in February and concluded that it was consistent with the methodology set out in RAG 4.08.</p>	There are no outstanding issues for 2019/20 reporting and we consider the issue to be resolved.
APR 4P.64	<p>Length of new water main</p> <p>During the audit the team stated that the number was not finalised and reported that the source data had not been collected for some schemes this year. We have subsequently been informed that the team have developed an approach to estimate the length using GIS but we have not reviewed the final number that the team intend to report.</p>	This issue was resolved during a re-audit on 16/06/2020.

Performance for the following measures/lines is provisional and is yet to be confirmed by either the DWI or NRW/EA:

Ref	Subject
4Q.28-29	Water Quality ERI/CRI To be confirmed by DWI
B2 % STW non-compliant, % PE non-compliant	Compliance against discharge permits To be confirmed by NRW/EA
4U.19-20	Event duration monitoring/STW flow monitoring To be confirmed by NRW/EA

Overall, we consider we have worked constructively to identify key reporting risks and issues associated with the PC and APR Section 4 figures you propose to report. In addition to the material observations above (which have since been resolved), we also note the following general observations from our review of your 2019-20 data including for your internal KPIs. We provided more detailed feedback to your teams after each audit.

- We continue to observe the value of your due diligence process and the improvements that you have made. We have noticed that many of your teams have introduced auditable checking processes e.g. control sheets that record names, dates, issues found and resolutions, and recommend that this is adopted more widely as part of your ongoing improvements.
- Ofwat has not requested companies assign confidence grades to the APR Section 4 data for 2019-20. Consistent with last year, you have encouraged teams to assign confidence grades to data as best practice and we observed that the majority of teams had done this, and that these were generally appropriate. We have identified some areas where, although the confidence grade is appropriate for the specific data item(s), we would expect confidence to be higher given the information being reported and Ofwat's minimum expectations set out in 2016-17.
- In some cases where we identified exceptions during our data sampling, teams were able to make corrections during the audit. Where this is the case, we have noted this in our feedback, and our assessments reflect the final position at the end of the audit. We also note some instances where your teams were able to satisfactorily address material actions post audit and we updated our original assessments (e.g. 4U.21 odour complaints).
- For lines 4R.14-15 (length of gravity sewers rehabilitated and rising mains replaced/refurbished) we note there continues to be a mismatch between the actual length of sewer repaired and the length claimed (the entire manhole to manhole length is claimed for the section on which defects are repaired). We understand your approach is consistent with previous reporting practice and that you intend to be transparent on your approach in the commentary you will submit to Ofwat.
- For the financial tables that we reviewed we traced data back to table 4D and 4E as agreed.
- Across each of the stages of our assurance approach we note there remains scope for your teams to further reduce reporting risk. For example, we continued to observe that for F1 serviceability – wastewater equipment failures, your teams rely on a small number of SAP reports to extract information that then requires a number of additional stages of analysis to arrive at final reported figures.

After the audits we provided detailed feedback to your teams setting out material and non-material actions to reduce the reporting risk associated with your submission.

Overall, since we have been working with you, we have seen a steady improvement in data, evidenced by your being promoted to self-assured status, and for this year we consider that you have maintained a robust level of reporting.

We worked constructively together to identify key reporting risks and issues associated with the MoS, KPIs and APR Section 4 lines that fell within the scope of our assurance. We have been helped by the open, co-operative and committed attitude of your teams.

During the course of our audits we identified a number of issues that had a material impact on the reported figures. Following our feedback your teams worked hard to resolve these and after follow-up audits we can confirm they have all now been resolved. The reported data therefore presents a low or low-to-medium level of reporting risk

For the remaining measures and lines that we audited, we identified no material issues and therefore the 2019-20 figures were graded A or B, indicating that there are no material weaknesses in the production of the data and that the confidence grade is appropriate. The reported data for these measures and lines therefore presents a low or low-to-medium level of reporting risk.

As noted in our findings we have identified areas for improvement which will ultimately help reduce your overall reporting risk. In keeping with being a self-assured company, you are working constructively to address them. For 2020-21 we look forward to the opportunity to continue to build on the constructive work we have done together as you further strengthen your reporting and continue your ongoing improvement plans for future years.

Overall, for the data we covered, and other than where indicated in our feedback, we consider:

- all individuals within the approval process have signed-off the data;
- data is competently sourced, processed and fit for purpose;
- data collection and reporting has not been impacted by COVID-19;
- any rewards/penalties are calculated in line with FD requirements¹; and
- your teams' internal commentaries were consistent with the data we saw at the time of reviewing them and did not contain any obviously false or misleading statements in relation to that data.

Yours sincerely



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¹ We have reviewed the mechanistic calculation of rewards/penalties pre adjustments for price base, tax and any management adjustments.

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